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Introduction

This report is designed to acquaint the U.S. business community with Brazil's economic and commercial environment, and provide guidance on exporting to Brazil. Considerable attention has been given to the details of Brazil's import system because it is important to understand how the system operates. Exporters must be familiar with Brazil's import procedures and documentation requirements, which are stringently applied. Non-compliance inevitably results in delays and financial penalties. Information is also provided on investing in Brazil, highlighting both the regulations applied by Brazil and the incentives available to U.S. companies.

Country Overview -- Brazil's Economic Importance

Brazil is the largest and most industrialized country in Latin America. It is the fifth largest nation in the world, about the same size as the continental United States, and occupies 48 percent of the land mass of Latin America (3,287,000 square miles). Brazil is a democratic, intermediate-income developing nation with the ninth largest economy in the world. It has a diversified industrial, agricultural, and services base; a gross domestic product (GDP) of approximately $385 billion and a wealth of resources, both human and material. Brazil's current economic structure breaks down into roughly 54 percent of GDP from services, 35 percent from industry, and about 11 percent from agriculture. Principal industries are agriculture (coffee, soybeans, and orange juice), minerals, steel, automobiles, footwear, textiles, capital goods, electronics, and petrochemicals. Brazil has a population of 145 million, with a growth rate of 2.5 percent per year. Brazil has become increasingly urbanized, with 72 percent of the population now living in cities; Sao Paulo, Brazil's industrial center, has 17 million inhabitants.

U.S. direct investment in Brazil at year-end 1988 was estimated at about $9 billion. The United States accounts for approximately 32 percent of total foreign direct investment in Brazil.

Brazil's global trade has been growing steadily for the past three years. For 1988, it reached almost $49 billion. Brazil's exports are booming, having jumped from just over $26 billion in 1987 to almost $34 billion in 1988. Imports, however, have declined slightly -- from just over $15 billion in 1987, to under $15 billion for 1988. Brazil's trade surplus grew by 70 percent, from $11 billion in 1987 to $19 billion in 1988.

The United States is Brazil's major trading partner, absorbing approximately 28 percent of Brazil's exports during 1987 and 26 percent in 1988. Brazil exported $9.3 billion to the United States in 1988, up from $7.9 billion in 1987. U.S. producers supplied 21 percent of Brazil's imports in 1987 and 22 percent in 1988, valued at $4 billion and $4.2 billion, respectively. Principal U.S. exports to Brazil are aircraft, chemicals, computers, electronic components, office equipment/parts, coal, telecommunications equipment, and fertilizers. Leading U.S. imports from Brazil are footwear, automotive parts, petroleum products, orange juice concentrate, iron and steel, and coffee.

The Foreign Economic Trends and Their Implications for the United States report on Brazil is prepared semiannually by the American Embassy in Brasilia and is available for $1 from the Publications Sales Branch, Room 1617M, U.S. Department of Commerce, Washington, D.C. 20230.

Trade Policy

Given the size of the Brazilian economy, most observers feel there is considerable room for growth of both imports and exports. Opportunities exist for aggressive U.S. exporters and investors. However, there is uncertainty surrounding Brazilian policies affecting trade and investment. There are inherent conflicts between more open-market policies as currently espoused by the Government of Brazil and the historical inward-oriented (import substitution) approach followed by the Brazilian congress and incorporated in the constitution.

The Brazilian market is one of the most restricted and self-sufficient in the world. As a result, its total imports (excluding oil) are only 3.8 percent of GDP -- one of the lowest import rates in the world. Brazilian decisionmakers argue that this control is necessary to foster indigenous technological growth and to boost exports to service the debt.

Brazilian trade policy is characterized by a restrictive import licensing regime, prohibited list of imports, export incentives, market reserve, severe restrictions on the import of goods which contain microprocessor technology, and considerable tariff, non-tariff, and bureaucratic hurdles all of which are discussed in detail in this report.

Trends in Industrial Development

Since World War II, the Brazilian Government has stressed the importance of industrial growth as the key to general economic development. Initially, growth was generated almost exclusively by tariff-protected consumer goods industries such as food processing and textile manufacturing. Gradually, high growth rates were maintained by shifting emphasis to more sophisticated industries, including light capital and consumer durable goods manufacturing. In recent years, a relatively sophisticated capital goods industry has been emerging, and greater emphasis has been placed on indigenous technological development.

The evolution of Brazil's industrial sector has been orchestrated by the government through a system of incentives for production and export. Industry represents a growing percentage of Brazil's GDP.

Economic difficulties, prompted by the oil shock of the early 1970s and Brazil's debt crisis, led the Brazilian Government to pursue a policy of import substitution -- restricting imports and encouraging exports.

To promote domestic production, the Brazilian Government established incentive programs for exports and for import substitution. Export expansion strategies include BEFIEX (Commission for Federal Incentives for Export Programs), which allows reduced tariff rates on imports by companies that have committed to specific export targets, typically a ratio of three times the level of imports over a 10-year period (see Reductions and Exemptions from Import Regulations and fees section). Another export incentive, the drawback program, allows duty-free import of goods used in the manufacture of exports. Incentives for the production of goods that substitute for imports range from tariff reductions on imported components, government support for research and development programs, and tax exemption for export profits, to reserving specific markets for national firms. While recent economic difficulties have required changes to incentive programs, the government's overall strategy of encouraging domestic production and exports has been consistent. The official source of information for U.S. companies seeking sources of supply in Brazil is the Brazilian Government Trade Bureau (551 Fifth Avenue, Suite 201, New York, N.Y. 10176. Tel: 212/916-3200).

Geographically, industrial growth in Brazil has been very uneven. It is heavily concentrated in the southeast region, principally the states of Sao Paulo, Rio de Janeiro, and Minas Gerais. Though primarily agricultural, the southern states of Parana, Santa Catarina, and Rio Grande do Sul, are considered a part of the more developed, technologically advanced, dynamic, and productive states in Brazil.

North and central Brazil have great potential for agro-industrial development, but large capital investment will be required. The Government of Brazil has encouraged multinationals to invest heavily in agro-industry in this area. It also has toughened zoning restrictions in the state of Sao Paulo in an attempt to force industry to locate in the north. However, U.S. firms should also be aware that there are restrictions concerning the amount of rural land that foreigners and foreign companies can own. Exceptions to this may be made on a case-by-case basis.

Economic activity in the northeast is primarily agricultural, notwithstanding periodic droughts in the semiarid backlands. The northeast has received considerable aid from the Brazilian Government, including special fiscal incentives designed to promote development of new industries. While establishment of an industrial center and a petrochemical area near Salvador has enhanced economic growth in the state of Bahia, income in the region as a whole still remains well below the national average.

The vast center-west and northern regions account for only 10 percent of Brazil's total population. The most important economic activity in the center-west is open range cattle grazing. Subsistence farming and rubber gathering are predominant in the northern region. Brazil's development plans aim to stimulate activity in agriculture and mining in certain selected areas of the north.

Role of Government

Brazil's nationalistic economic model, formulated under previous governments, helped it to break into the rank of newly industrializing countries between the 1960s and 1980s. The price of this growth was strong government intervention in the market and approximately $120 billion in debt, the largest among the developing nations. Brazil called a debt moratorium in 1987, but abandoned it in late 1988, once it reached an accord with multilateral financial institutions and rescheduled much of its debt. Agreement with the financial institutions and the reschedulings paved the way for the resumption of normal credit relationships. Brazilian Government planners maintain that Brazil needs about 6 percent growth per year to maintain per capita income, to cope with a growing and youthful population, and to service its debt.

The government has traditionally been the dominant force in shaping economic growth by means of planning and management. Its influence is felt not only directly through the day-to-day activities of government entities, but also through its wage, price, and credit policies, and subsidy and fiscal incentive programs. Whether or not a direct cause and effect relationship exists, there has been considerable growth of the country's productive base through a vast infrastructural development program.

The role of the public sector is central to the Brazilian economy. In addition to a large number of autonomous and semiautonomous agencies, there are a number of important government-controlled corporations or "mixed enterprises." For example, Petrobras, the state petroleum monopoly, is the largest enterprise in Latin America. Parastatal organizations account for over 52 percent of Brazil's GDP.

Economic policymaking is implemented by a corps of well-trained technocrats throughout the executive branch. These technicians and administrators are insulated to some degree from the pressures of special interest groups in the private sector. This group has been dominated by one or two ministers, usually the Minister of Planning and the Minister of Finance. Control has been hampered, however, by Brazil's federal system, which divides government authority among 25 states and 4,400 municipalities, and by the Federal Government itself, whose economic activities are diffused among a large number of official and semiofficial entities.

Recent Government Actions

Brazil is currently in a state of legal and regulatory transition. Certain features of the previous nationalistic growth model are being dismantled slowly by the government due to high cost and inefficiency of the public sector. Some features of the new constitution seek to retain protection for local industry.

Constitution

Brazil's new constitution, promulgated on October 5, 1988, enshrines many of the nationalistic features of past decades. Proud of the progress made in a few short decades under an inward-looking and patrimonial development model, and reluctant to cede control of industrial development to foreign business interests, legislators retained features of Brazil's import substitution development model in the constitution. It includes provisions for government monopolies in key sectors of the economy, reserved markets and other special treatment for Brazilian firms, and limitations on foreign investment and trade in certain goods and services.

Brazil's new constitution has yet to be fully implemented by legislation that would affect corporate structure, foreign investment, taxation, and foreign joint-venture operations in Brazil. It is not yet known which of these items will be taken up by Brazil's congress, or when. In the interim, firms are operating on the assumption that previous laws and regulations remain in effect, unless in direct contradiction with the new constitution.

Time will tell whether these measures are implemented via regulations. Some elements of the 1967 constitution were never implemented. The aging industrial base of the country, the increased need for technology in order to compete worldwide, and pent-up domestic demand for foreign goods and services could propel the government to liberalize the economy. U.S. traders and investors must keep in mind that Brazilian business has often found ways to grow

despite restrictive laws and regulations, and the key to a successful venture has often been the establishment of business ties with knowledgeable Brazilians with influence in government and other circles.

New Industrial Policy

The Government of President Jose Sarney announced a "New Industrial Policy" (NIP) in May 1988. The NIP aims to modernize Brazilian industry through a departure from the import substitution model that no longer attracts investment, produces indigenous technological capacity, or encourages industrial productivity and efficiency. The NIP includes measures to privatize a good portion of the 180 parastatal organizations which currently control 52 percent of the GDP, to facilitate exports and some imports of needed capital goods, and to foster new business formation through sectoral incentives.

The stated objectives of the NIP are to:

1. Increase the efficiency, productivity, and competitiveness of Brazilian industry;
2. Increase Brazil's autonomous technological development; and
3. Reduce progressively the dependence on government stimulation of industry.

The NIP is to implement these goals by reforming the Brazilian tariff structure, simplifying the import of 3,000 products, restructuring the fiscal and financial benefits to industry and reorganizing the Industrial Development Secretariat (SDI), formerly the Industrial Council (CDI). The NIP aims to stimulate the modernization of Brazilian industry, independently of the origin of capital (national or foreign) or of the size of the firm.

The Summer Plan

In January 1989, the Sarney Administration introduced a macroeconomic adjustment package -- known as the Summer Plan -- to combat record inflation, which exceeded 900 percent in 1988. Sarney's fourth anti-inflation plan in the same number of years, the Summer Plan provides for de-indexation of the economy, a reduced federal payroll, a wage and price freeze, high positive interest rates, and the "new cruzado" (the cruzado devalued by 17 percent). Despite widespread skepticism and strong labor resistance, the Summer Plan has helped contain inflation and has outlived the expectations of most observers. Ultimately, the success of the plan hinges on the government's ability to maintain de-indexation of the economy and control inflation as the price freeze is lifted.

Marketing Considerations

A potential exporter to Brazil should keep in mind the demographics and diversified industrial and talent bases of the country, which sometimes tend to be overshadowed by political-economic uncertainties. With a marketing campaign that stresses medium- to long-term growth, experienced exporters and investors can benefit from Brazil's sheer market size and need for capital equipment and technology. An experienced Brazilian representative or distributor is essential to a U.S. exporter's growth, as are the need to consider competitive financing, distributer support, and training.

Basic Import Regulations and Fees

Import duties in Brazil are levied according to a policy that weighs a variety of factors bearing on the economic well-being of the country. In general, the Brazilian Government discourages or prohibits importation of consumer goods, products for which a domestically produced similar exists, and "nonessential" goods.

Registration and License Requirements

Firms importing into Brazil must be registered with the Foreign Trade Department (CACEX) of the Banco do Brasil.[1] CACEX plays a central role through its implementation of directives issued by the National Council of Foreign Trade (CONCEX), one of the national trade policymaking bodies. Through the registration process, the government is able to monitor companies that import. The registration requirement does not apply to government agencies and mixed (public and private) capital companies with government-controlled import budgets.

Following registration with CACEX, companies must apply for an import license, which allows them to proceed with a planned shipment. The process by which the import license is obtained begins with the completion and filing of an annual import program with CACEX. Imported merchandise must be part of the CACEX approved company import program. (For more detailed information, refer to the Typical Import Steps and Documentation sections of this report.)

The "Law of Similars"

The Brazilian "Law of Similars" (actually a collection of laws and regulations) prevents import of manufactured goods that are similar to items produced in Brazil. The law requires that a similarity test be conducted before granting an import license for goods that qualify for fiscal incentives (duty/tax reductions and exemptions), and those imported by the public sector. The majority of Brazil's imports are covered, in view of major domination of the economy, by state-owned entities and numerous fiscal incentives.

Federal, state, and local governments are, in effect, required to "buy national." Theoretically, government agencies may purchase an imported item if the price of the national similar is at least 15 percent higher than that of the import. However, political pressures make it virtually impossible for government agencies to purchase foreign goods if a domestic product is available. In some cases, Brazilian importers may make a case to CACEX arguing the nonsimilarity of an import.

Import liberalization measures of September 1984 removed the requirement that imports receiving foreign financing of more than 360 days be subjected to the Law of Similars. The formal determination as to whether a particular item has a similar is made in accordance with Decree Law Number 37 of November 11, 1966, as implemented by Decree Law Number 91030 of March 5, 1985, and amended by CACEX Comunicado 204/88.

The primary criteria used to determine whether a national product is similar to a foreign product are the degree to which quality and end-use specifications are similar. The reasonableness of price and delivery time may be taken into consideration, but the burden of proof lies with the importer.

Since at least 1975, the Brazilian National Industrial Property Institute (INPI) has regulated contracting for foreign specialized technical services by Brazilian companies. INPI regulations apply the Law of Similars concept to technical services. Approval to contract foreign technical services is allowed in the absence of Brazilian domestic technical capabilities. INPI's definition of "specialized technical services" is broad. It includes management studies, engineering services, technical training, industrial research, and the development and use of computer systems or programs. The importation of design technology must be controlled by a Brazilian engineering firm.

Typical Import Steps

There are numerous procedural requirements associated with importing into Brazil. They warrant careful consideration, as failure to comply with regulations may result in fines and delays. Typically a Brazilian importer will follow the steps outlined below.

1. The importer prepares and submits to CACEX an annual import plan, divided into quarters, listing the goods to be imported and the costs. Presentation of the report at the beginning of the year facilitates CACEX's approval process.

2. Once the plan is approved by CACEX, the importer files an application for an import permit (*pedido de guia de importacao*) for a specific transaction, accompanied by a foreign supplier's pro forma invoice for the product(s) to be imported.

   If the imported product(s) contains a computer or other digital technology, the importer must also seek the approval of the Special Secretariat for Informatics (SEI) concurrent with step (3), stating why the imported product(s) is (are) needed.

3. Once the application is approved by CACEX, the importer notifies the supplier to ship the product(s) and to send all shipping documents and commercial invoices along with the exporter's statement, certified by any chamber of commerce or Brazilian Consulate, that the prices quoted are those prevailing for goods for export. (Goods should not be shipped until CACEX has granted an import permit.)

4. The importer arranges for a Brazilian Government licensed customs broker to clear the goods and pay customs duties and other taxes (typically, Industrial Products Tax -- IPI and Merchandise Circulation Tax -- ICM).

5. A copy of the import license (*pedido de guia de importacao*) and the paid customs declaration are sent to the importer's exchange broker (typically, a bank) for closing the foreign exchange transaction.

The average processing of these steps is 2 to 6 weeks, although processing of digital products subject to SEI approval typically take longer.

The time frame for obtaining approvals varies in accordance with the following considerations:

1. A longer time frame can be expected if there is a similarity test involved;

2. If an importer has filed all requests for imports at the beginning of the year (with the corresponding dates and values), the time frame for approval is usually 30 to 120 days after confirmation of the request if the importer is the end-user and 30 to 180 days if the import is made through a dealer;

3. If an importer has not submitted plans to CACEX early in the year, he may still receive an import permit, but must allow at least three months for processing.

An importer may deal with CACEX directly or through an expediter (*despachante*). It is generally advisable for an importer to retain an expediter to assist in moving the import request through the bureaucratic approval process with CACEX and the customs authority.

To speed up CACEX's approval, an importer can try to obtain a statement of nonsimilarity from a respected local manufacturer, stating that the manufacturer does not and cannot produce the product proposed for import (where necessary). In case of approval, a *Certificado de Anuencia Previa* (certificate of previous consent) is issued and the import is authorized.

Many government companies, agencies, and the military import directly, without CACEX or SEI authorization, and are exempt from all taxes and duties.

Basis of Duty Assessment

As of January 1, 1989, Brazil implemented the Brazilian Tariff Nomenclature -- known as the NBM (Nomenclatura Brasilera de Mercadoria) -- consistent with the Harmonized System (HS) for tariff classification (as authorized by the Brazilian Nomenclature Committee (CBN), Resolution Number 76 of August 31, 1988). The HS is an internationally accepted system of tariff nomenclature (uniform to the six-digit level) designed to facilitate trade.

Since January 1, 1989, the HS has been the basis for tariff schedule classification and the compilation of statistical data in Brazil. Duties are levied ad valorem on the c.i.f. value of the import. The rates of duty range from zero to 85 percent, with the majority in the 30 to 45 percent bracket.

Brazil has implemented the Customs Valuation Agreement of the General Agreement on Tariffs and Trade (GATT), but with certain reservations. The agreement distinguishes five methods for determining customs valuation -- a primary basis and four additional methods that must be applied in hierarchical order. The primary basis is based on "transaction value," the price that is actually paid or payable for goods by importers, plus certain costs and expenses.

Assistance in determining duties applicable to specific HS product categories entering Brazil is available from the U.S. Department of Commerce, International Trade Administration, Brazil Desk: (202) 377-3871.

In the case of Brazil, the duty rate is not as significant an indicator of market barriers as in other countries. Historically, only an estimated 20 percent of total Brazilian imports actually have paid full duty. The others have qualified for duty reduction/exemption benefits available through Brazil's numerous incentive programs. Obtaining an import license is the principal hurdle to market entry.

Advance Rulings on Classification

Based on a complete product description, a logical HS tariff classification can often be determined by the company agent in Brazil or the U.S. exporter's nearest U.S. Department of Commerce district

office (located in most major cities throughout the United States). Brazilian customs brokers are another valuable source for classification information. However, the ultimate authority is Brazilian Customs. If there is doubt about the classification, a request for advance ruling may be presented to the Internal Revenue Department (CST) of the Ministry of Finance, preferably through a Brazilian representative.[2] Samples and specifications should be included with the application. A ruling in response to such requests may take months. An inquiry presented to CACEX is probably preferable, but this does not ensure that CST, through Customs, will necessarily accept the CACEX classification.

Internal Taxes

The internal Brazilian taxes of consequence to U.S. exporters are the Industrial Products Tax (*Imposto Sobre Produtos Industrializados,* or IPI) and the Merchandise Circulation Tax (*Imposto Sobre Circulacao de Mercadores,* or ICM).

The Industrial Products Tax (IPI) is a federal tax levied on most domestic and imported manufactured products. It is assessed at the point of sale by the manufacturer or processor in the case of domestically produced goods, and at the point of customs clearance in the case of imports. The tax rate varies by product and is based on the product's c.i.f. value plus duties; it normally ranges from 10 to 25 percent. In general, a relatively low tariff rate carries a lower IPI tax rate and a relatively high tariff rate carries a correspondingly higher IPI rate. As with value-added taxes in Europe, IPI taxes on products embodying several stages of processing can be adjusted to compensate for IPI taxes paid at each stage. Exports from Brazil are exempt from IPI tax. The regulations dealing with the IPI tax are detailed in Decree Law Number 87.981, of December 23, 1982.[3]

The Merchandise Circulation Tax (ICM) is a state government value-added tax applicable to both imports and domestic products. The ICM tax on imports is assessed ad valorem on the c.i.f. value, plus duties, plus IPI Effectively, the tax is paid only on the value-added as the cost of the tax is generally passed on to the buyer in the price charged for the merchandise. The ICM tax due to the government is based on taxes collected on sales, minus those paid in purchasing raw materials and intermediate goods. The ICM tax is levied on both intrastate and interstate transactions and is assessed on every transfer or movement of merchandise. The rate varies among states, with the predominant rate currently at 17 percent. On interstate movements, the tax will be assessed at the rate applicable in the state of destination.

Some sectors of the economy, such as construction services, mining, electrical energy, liquid and gaseous fuels, and locally produced machinery and equipment, are exempt from the ICM tax. For the most part, exports are exempt.

Customs Surcharges

The Merchant Marine Renewal Tax is assessed at 50 percent of ocean freight charges on import by sea, payable by the importer.

An Airport Tax is assessed on imported goods entering Brazilian airports. It is charged at 5 percent of c.i.f. value (Portaria No. 1013, August 24, 1981).

In addition to these taxes, the Brazilian Government assesses the following fees:

- Syndicate Fee -- 2.2 percent of c.i.f. value;
- Brokerage Fee -- 1 percent of c.i.f. value;
- Fee for Printed Forms -- currently a fixed fee of $17 for all imports;
- Social Benefits Contribution -- 10 percent of warehouse charges;
- Fee for Handling Charges -- currently a fixed fee of $20;
- Forwarders Commission -- 1.5 percent of c.i.f. value;
- Administration Commission -- 1.5 percent of c.i.f. value;
- Import License Fee -- 1.8 percent of c.i.f. value;
- Additional Port Tax -- variable levy averaging 0.3 percent of c.i.f. value.

Warehousing Charges

Portobras, the Brazilian Ports Authority, has established the following rates for maritime shipping warehousing: first 15 days after cargo unloading, 1 percent of import duties; second 15-day period, 3 percent of import duties; third 15-day period, 7 percent of import duties; fourth 15-day period, 15 percent of import duties; and thereafter, the rate increases by 8 percent per 15-day period.

Air-shipped goods pay rates based on the calculated c.i.f. value for 15-day periods: first period, 2 percent of c.i.f. value; second period, an additional 4 percent; and thereafter, the charge is increased by 4 percent per subsequent 15-day period.[4] Warehousing of corrosive products, explosives, flammables, and oxidizers is charged at double the normal rate.

Import permits for merchandise destined for a customs-bonded warehouse may be requested either prior to or following overseas shipment. In any case, the request for a permit must be made before the goods enter the bonded warehouse.

The following is a hypothetical cost build-up for imported industrial process control equipment. Due to all taxes/fees, an imported product at a f.o.b. price of $10,000 and 45 percent duty will cost about 2.3 times its initial f.o.b. price.

Hypothetical Cost Build-up for an Imported Product*

(COST BUILD-UP IN US$)

F.o.b. Price of Product	$10,000.00	
Freight and Insurance (9% and 1%, respectively)	1,000.00	
Total c.i.f. of Product		$11,000.00
Bank Charges (assuming 90 days at 4% per month charged by local banks)		1,320.00
c.i.f. Plus Bank Charge		$12,320.00
Landing Charges		
AMMF (Merchant marine tax -- 50% of Freight)		450.00
Import Duty (45% of c.i.f.)		4,950.00
Port Costs (1.5% of import duty; including warehousing and expediters)		74.25
Additional Port Tax (0.3% of c.i.f.)		33.00
IPI (industry excise tax -- 12% on c.i.f. + import duty)		1,914.00
ICM (value-added tax -- 17% on c.i.f. + duty + IPI)**		3,036.88
Syndicate Fee (2.2% of c.i.f.)		242.00
TOTAL FINAL COST		$23,020.13

* F.o.b. value, insurance, freight, bank charges, IPI and duties are all assumed numbers.

** ICM usually is 17%, but might be 10% or 12% in some states. If the product enters a state with 17% ICM, the difference must be paid.

Import Financing Requirements

Financing is required for imports of $200,000 or more. Payment terms for imports financed abroad are stipulated by Central Bank Resolution Number 1537/88.

The terms of financing required depend on the type of product to be imported (i.e., capital equipment, components, or raw materials) and the value of the import (based on the annual import plan registered with CACEX). Financing is controlled by CACEX and FIRCE (an agency of the central bank responsibe for regulating Brazil's foreign debt).

To acquire authorization for imports covered by Central Bank Resolution 1537/88, the following minimum payment conditions must be met by the importer:

1. For machinery, equipment, apparatus, instruments, vehicles, ships and vessels, and aircraft:

Import value	Financing term
to $200,000	on sight
$200,000-$500,000	2 years
$500,000-$1,000,000	3 years
over $1,000,000	5 years

2. For parts, spares, components and accessories used for maintenance, assembly and repair, and for consumer durable goods:

Import value	Financing term
to $200,000	on sight
above $200,000	180 days

3. Other products:

Minimum Payment terms:	90 days

4. Raw Materials:

Import value	Financing term
to $200,000	on sight
above $200,000	90 days

Imports by certain industries or organizations are exempt from Resolution 1537/88. These include airlines, government organizations, authorized scientific entities, companies that import principally to reexport (drawback operations), and publishers importing for their own use.

The following specific products are also exempt from financing requirements: oil drilling platforms, drilling and exploration equipment; sports equipment (with consent of the National Sports Council); coal; metallurgic minerals and sulfur; products imported by Nuclebras and its subsidiaries, or by public utility concessionaires; imports by foreign or regional organizations resident in Brazil of which Brazil is a member; "nonsimilar" and indispensable imports authorized by the National Council for Scientific and Technological Development (CNPq); and under certain conditions, products from Latin American Integration Association (ALADI) countries.

Another consideration for the exporter is the maximum permitted down payment, which is set at 10 percent (additional limits may be imposed by CACEX). Local financing/banking commissions vary from 2 to 6 percent, depending on whether or not there is a guaranty by a parent company.

Each maturity is treated as a separate loan and requires payment of taxes and administrative fees. The sequence of administrative procedures varies according to the duration of the loan.

Insurance

Brazil requires that import shipments be insured by companies (foreign or domestic) established in Brazil and that policies be denominated in local currency, which implies risk of exchange losses. The import permit, therefore, may not include margins for foreign insurance payments. All reinsurance in Brazil must be purchased from the government reinsurance monopoly -- the Brazilian Reinsurance Institute (IRB). In special cases, the IRB may grant exceptions to these terms and allow insurance to be placed abroad.

Reductions and Exemptions From Import Regulations and Fees

The Industrial Development Secretariat (SDI) has policymaking authority for industrial development and investment incentives. It was established in August 1969 (Decree Law Number 65016) and derives its current authority from Decree Law Number 96760/88. The principal incentives administered by SDI allow up to 80 percent reduction in import duties and taxes on imported machinery, equipment, instruments, and tools. It also provides preferential financing from official credit agencies if the import is for an industrial project in sectors approved by SDI.

SDI's incentive policy stresses locational rather than sectoral criteria. Import duty and federal IPI tax reductions and exemptions are granted on products destined for the Manaus Free Trade Zone and export processing zones (ZPEs). Also eligible are imports for manufacture of exports under the drawback system, imports under the BEFIEX program (discussed on the next page), and imports under other CACEX-approved programs.

Fiscal and credit incentives established to promote exports include exemption from federal IPI (manufactured products) tax, state ICM (value-added, merchandise circulation) tax, federal income tax, the "Sole Tax" on lubricants and fuels, and other federal and local taxes.

In addition to the exemptions detailed above, the Customs Policy Commission is authorized to grant, on a case-by-case basis, duty reductions or exemptions on imports of capital goods, raw materials, and intermediate goods, provided there is no "national similar." Products benefitting from

this program include goods imported to benefit public services, capital goods designed to equip or expand Brazilian industries, and goods for development projects. Projects in the Northeast and Amazon regions may benefit from these incentives if the federal agencies responsible for respective regional development identify these investments as priorities.

The new Decree Law Number 96760/88 establishes a fiscal incentives policy implemented by the Commission for Fiscal Incentives for Special Export Programs (BEFIEX). Under the BEFIEX program, tax concessions may be available to exporters who enter into long-term export programs with the Brazilian Government. Manufacturing enterprises with government-approved export programs may be exempted from import duties and industrial products taxes (IPI) on imports of capital goods (machinery and equipment), and manufacturing inputs (parts and raw materials) used in the production of exports. Machinery and equipment imports must be approved by the Ministry of Industrial Development, and raw materials and intermediate products, by the Customs Policy Council. Approved imports are not subject to the Law of Similars test. Capital goods, representing a maximum of one-third of the value of a company's annual exports, can be exempted from import duties/taxes. Insurance contracted with Brazilian insurance companies and transportation on Brazilian flag vessels, vehicles, or aircraft may be included in calculating the value of exports.

Technical catalogs, pamphlets, and publications without intrinsic commercial value and dealing with the operation, maintenance, repair, or use of machines, apparatuses, vehicles, and the like, may be imported duty free. This exemption also applies to educational and scientific films; newspapers and books; brochures; and similar printed matter for cultural, religious, or educational use.

Export Credits

The Export Credit Premium (*Credito Premio*) is an export subsidy program. First introduced in 1968, it was abolished following the maxi-devaluation in 1979, temporarily reinstated in 1981 with expiration scheduled for 1985, and reinstated by Decree Law Number 2324/87 in 1987. The Export Credit Premium provides exporters with a cash grant equivalent to a percentage of the value of their exports. When reinstated in 1987, the Export Credit Premium was set at a flat rate of 10 percent for all products for the duration of the program. Foreign governments have objected to this program on the grounds that it is inconsistent with Brazil's commitments under the General Agreement on Tariffs and Trade (GATT).

Preferential Rates

Brazil is a contracting party to the multilateral General Agreement on Tariff and Trade (GATT) under which governments agree to assess the same duty on imports from any GATT member country. GATT members negotiate to "bind" tariffs for certain items, thereby committing to not raise the duty above a maximum or "bound" tariff rate. Very few Brazilian products are GATT bound.

Under a special regional trade initiative, Brazil extends preferential import duty rates and other benefits to certain imports from members of the Latin American Integration Association (ALADI), formerly the Latin American Free Trade Association (LAFTA). Under ALADI, Brazil has bilateral trade agreements with each of the other 10 members (Mexico and the nine South American republics) and participates in many multilateral industry agreements. Also under the ALADI framework, Brazil and Argentina share an ambitious economic cooperation and integration agreement. Brazil allows preferential access for certain Argentine products by waiving the Law of Similars restrictions and freely granting import licenses. Recent protocols exempt certain capital goods and automobile and processed food products from import duties and taxes.

U.S. Export Administration

In addition to Brazilian import regulations, U.S. exporters must comply with U.S. Government export controls. Export Administration regulations are issued by the U.S. Department of Commerce to implement the Export administration Act of 1979. A validated export license is required for U.S. exports that fall into the following categories:

1. "Strategic" commodities to any destination
-- Generally speaking, a "strategic" commodity is

one that the U.S. Government believes can contribute significantly to the design, manufacture, or utilization of military hardware.

2. "Short supply" commodities to any destination. A "short supply" commodity is one which unrestricted exportation would excessively drain U.S. supplies and have a serious inflationary impact on the U.S. economy.

3. Any other commodity to a destination in which there are foreign policy or national security concerns.

4. "Unpublished" technical data to certain destinations. The term "unpublished technical data" applies to technical information, generally related to the design, production, or use of a product that is not available to the public. It is not described in detail in books, magazines, or pamphlets, nor is it taught in colleges or universities. It is know-how that cannot be released without a fee.

To determine whether an export product is subject to U.S. controls, exporters should refer to the Commodity Control List (CCL) of the Export Administration Regulations.

The official source of information on the details of U.S. export administration is the Exporter's Service Staff, Bureau of Export Administration, U.S. Department of Commerce: Eastern Division, (202) 377-4811; Western Division, (714) 660-0144. Another convenient source is a local Department of Commerce district office.

Documentation

Import Permit

The import permit (*guia de importacao*) is the single most important document required for exporting goods to Brazil. The permit is issued in accordance with an approved annual import program negotiated with CACEX. An import permit must be obtained from CACEX by the importer for all but a very limited list of products. Most of the information required for the permit must be provided by the foreign supplier.

A CACEX Comunicado (scheduled to be released at the start of each year) establishes the degree of import regulation applied to specific products by categorizing them:

1. Imports exempted from the import permit requirement are listed in Annex A of the appropriate CACEX Comunicado (for 1989, Comunicado CACEX 204/88);[5]

2. Imports requiring import permits (the majority of products imported into Brazil) can be identified in Annex B of the Comunicado and are subdivided into (a) goods requiring a permit prior to embarkation in a foreign country, or (b) goods requiring a permit prior to or after embarkation, but before clearance through Brazilian customs.

3. Imports under legislative or regulatory prohibition;

4. Imports under special control (i.e., prohibited) in accordance with Decree Law Number 1427 of December 2, 1975 and CONCEX (National Foreign Trade Council) Resolution No. 125 dated August 5, 1980.

Products falling into the latter two categories are found in Annex C of the appropriate CACEX Comunicado.

Import permit requests must be accompanied by the foreign manufacturer's catalogs or price lists covering the goods to be imported, unless such material has already been filed with CACEX. A local agent of a foreign firm should update the information on file with CACEX regardless of whether a shipment is pending. If there are no published catalogs or price lists, CACEX will accept a notarized statement by the exporter on the pro forma invoice of the wholesale price.

An import permit specifies the period during which it is valid. It establishes the maximum time for embarkation of merchandise, or in certain cases, for registering the Import Declaration. Although the validity period of an import permit generally ranges from 60 to 180 days, CACEX will examine petitions for extensions required by special operations or pre-defined exceptions. Goods usually facing limits of 60 days include those subject to special price controls imposed by CACEX (particularly on food and agricultural products, metals and other products with periodic and/or seasonal price fluctuations), and display items imported under special restrictions for

exhibition. Limits of 90 days are imposed on raw materials and food items not under CACEX special price controls, and 180 days are provided for other imports.

The import permit has been used in recent years to restrict imports, though it was not initially designed for such purposes. The government has temporarily suspended permits for 1,200 products and product categories considered to be superfluous or luxury items. Brazil reduced the suspended list from 2,400 items in late 1988 and has promised to phase it out completely by the end of 1989.

In 1981, CACEX established the requirement that an annual company import program be negotiated with the government before import permits were issued. This created another major complication in the import procedure.

Under no circumstances should an exporter ship goods to Brazil without an import permit. The shipment could be impounded by Brazilian customs authorities and may not be returned to the United States without payment of fines equaling 20 to 100 percent of the c.i.f. value of the goods. In addition, to avoid clearance problems, any discrepancy between the actual composition of a shipment and the terms of the corresponding import permit should be immediately transmitted to the importer so that the importer can request amendment of the permit prior to arrival of the goods in Brazil.

Pro Forma Invoice

In order to apply for an import permit, the Brazilian importer will require a pro forma invoice (fatura proforma) and a published list of prices or sales catalog from the supplier (if such exist). The original copy should be notarized (neither a chamber of commerce certification nor a consular visa is required). The document must contain the following:

1. The name and address of the manufacturer or exporter;

2. A signed statement by the exporter or manufacturer verifying that the prices stated are current export market prices for destination to any country;

3. If applicable, the name and address of the agent distributor, representative, or concessionaire in Brazil, and a statement of commission due. This is not necessary when the agent has filed a general statement with CACEX of fees collected from a particular foreign firm. If no representative exists, this must be so stated;

4. Total f.o.b. price, unit price, gross and net weight, itemized freight and all other expenses, and total c.i.f. or c.i.f. value;

5. If applicable, a statement declaring that published catalogs or price lists do not exist for the invoiced products.

Pro forma invoices issued by commercial enterprises, such as an export trading company, can be used in lieu of a manufacturer's invoice for the importation of parts, accessories, and other small articles.

Required Shipping Documents

Documents required by Brazilian laws and regulations for cargo shipments to Brazil are the commercial invoice and bill of lading (or air waybill). Inspection or sanitary certificates are also required for shipments of certain goods. These documents must carry the number of the CACEX-issued import permit. Generally, the document itself does not accompany the shipment.

Commercial Invoice - This document should give full details about the merchandise shipment. It should be prepared by the manufacturer or the seller in the country of origin (not by a seller who is not established in the country of shipment, nor a buying agent of the Brazilian importer). Good business practice dictates that a commercial invoice include the full address of the shipper, seller, and consignee (if other than seller); the import permit number; other reference numbers; date of the order; shipping date; delivery and payment terms; a complete description of the merchandise; and export markings.

A declaration of origin that is combined with a declaration of correct prices should be made on the commercial invoice, which in turn should be certified by the foreign exporter or local chamber of commerce. For a letter of credit or other

contractual agreement, chamber of commerce certification is not required but may be requested. When in doubt, exporters should contact their Brazilian importers. A notarized declaration, as follows, should be made on the extra copy of the commercial invoice (which the exporter or the chamber of commerce retains):

> I, (name, title, name of company), hereby swear that the prices stated in this invoice are the correct market prices for any country for the merchandise described herein, and the origin of these goods is the United States of America, and I accept full responsibility for any inaccuracies or errors herein.

Legalized commercial invoices are not required. To correct errors in commercial invoices, the exporter should make out new invoices. A detailed letter of explanation stating corrections should be attached to the new invoices, which should be sent at once to the exporter's principal in Brazil. Commercial invoice forms are available from commercial stationers.

Bill of Lading - Attached to each copy of the commercial invoice is a nonnegotiable copy of a numbered and dated bill of lading. This may be an ocean bill of lading or air waybill, depending on the mode of transportation and/or terms of sale. There are two basic types of bills of lading: nonnegotiable and negotiable (or "shipper's order") bills of lading. The latter is used for sight draft or letter of credit shipments.

When shipments originate abroad and are cleared through the United States in transit to Brazil, either an authentic copy of the "through" bill of lading issued by the foreign carrier covering the entire voyage, or a copy of the bill of lading issued by the foreign carrier for the voyage from port of origin to the United States must be attached to one copy of the invoice prior to shipment from the United States. Bills of lading and air waybills no longer require the carrier's signature. Consular registration and chamber of commerce certification are not required.

The import license number and its expiration date must be shown on the bill of lading or air waybill. (In rare cases, in which no import permit is required, the exemption should be clearly stated.) Freight charges must also be clearly indicated in words and numbers. Noncompliance with this regulation will prevent the importer from closing or liquidating foreign exchange contracts and failure to detail information on import licensing will result in considerable delays.

According to International Chamber of Commerce rules governing foreign trade terms and documents, the only bill of lading that is acceptable on draft or letter of credit shipments is one marked "Clean on Board." This means that the carrier has not taken any exception to the condition of the cargo or packing and that the merchandise has actually been loaded aboard the carrying vessel.

Special Documentation - Various special documents are required on shipments of certain commodities. These special documents include sanitary certificates from the Ministry of Agriculture for shipments of live plants or parts thereof; health certificates for shipments of live animals and animal products capable of transmitting disease; inspection certificates for shipment of used merchandise, machinery, and equipment; and Ministry of the Army authorization for armament shipments. Industry specific import and documentation requirements are detailed in a separate section of this report entitled "Imports Subject to Special Control."

Fines and Penalties

Brazil imposes fines and penalties for violation of customs, exchange, and consular regulations. These fines and penalties are severe, especially in cases of fraud, and where the complicity of the exporting firm is proven. As previously noted, fines may be incurred for violations or errors in preparation of document preparation.

When goods that require import permits are imported without one, there is a fine of up to 100 percent of the c.i.f. value of the merchandise. When a commercial invoice is absent, the fine is equal to the customs duty. If the original commercial invoice is not available for presentation at customs, the importer can sign a guaranty of responsibility that it will be presented within 120 days. Failure to present the invoice before expiration of the guaranty of responsibility could result in a fine equal to the customs duty.

For under-invoicing, over-invoicing, or otherwise misrepresenting the value of an import, there is a

fine of up to 100 percent of the excess or deficiency. If the value declared by the importer is judged to be false, there will be a fine of at least 50 percent of the difference between the duty declared by the importer and that verified. If the appraised value exceeds the invoice value by more than 10 percent, there is a fine of 100 percent of the value of misrepresentation; the fine is 50 percent if the value of misrepresentation is between 5 and 10 percent. There is no fine in cases of errors in weight or quantity, but rules are strict.

Currency indexation of the amount of fines levied and not paid effectively preclude the payer of a fine from taking advantage of high inflation in order to profit from currency devaluations. In addition, the Central Bank does not allow remittance of forcign exchange to cover the excess except in special cases.

It is essential that shippers prepare documents completely and carefully. For instance, failure to make a separate declaration on the invoice of the net weight and value of drums (or other containers) that have been used in shipping the merchandise may subject Brazilian importers to heavy fines.

When customs officials challenge the declared value of imported goods, they have eight days to establish a new valuation. The importer then has 30 days during which to protest the new value, and a decision must be rendered within another 30 days.

While the value is in dispute, the importer's declared value is provisionally accepted for the purpose of clearing the goods, but the importer must post bond or make a deposit covering the claimed differences, pending a final determination of the dutiable value.

Appeals concerning the valuation of imported merchandise are heard by the First Chamber of the Brazilian Superior Tariff Council. If the council decides against the importer, the case may then be appealed to the Minister of Finance, who will refer the matter to the Customs Policy Commission. If the final decision is against the importer, a fine amounting to between 50 and 100 percent of the difference between the declared value and the verified value must be paid by the importer.

Imports Subject to Special Control

Import of Used Material

In accordance with provisions of CONCEX (National Foreign Trade Council) Resolution 148 of October 23, 1986, CACEX will accept for consideration requests covering the importation of used machinery equipment or instruments providing the following requirements are met in full:

1. The equipment be intended for importer's own use and that it play a direct role in the production process;

2. The goods are not of a type that can be produced within Brazil and cannot be substituted by other machines or equipment of Brazilian manufacture, capable of meeting the need for which the used goods are being imported;

3. The equipment is not intended for quality control;

4. The equipment is less than 10 years old when used in the following cases: precision instruments intended for mass production or tooling, and equipment whose normal operation is performed under unfavorable conditions that accelerate its physical deterioration by corrosion, shock, or vibration;

5. The equipment is less than 20 years old (at the time of presentation of the request for importation), when used in the following cases: heavy equipment not used in tooling, and exceptionally large equipment used in tooling, but not in mass production; and

6. The equipment is considered by the Brazilian Government to be of interest to the Brazilian economy and be applied in hastening the expansion of internal production programs or the rapid increase of exports.

In all such requests, CACEX will require the presentation of an inspection and appraisal certificate signed by an international, specialized, and qualified firm acceptable to local Brazilian consular office authorities. (Brazilian consular authorities may in some cases accept a notarized statement by the manufacturer.)

The certificate should state the following regarding the used equipment:

1. Year of manufacture, reconditioning or overhaul, with indication of substituted parts and accessories and the total value;

2. The used equipment's operational condition and tolerances that are required by technical norms in effect in the country of origin are identical to those of equal units when new;

3. The technical differences between new units and those inspected;

4. The life expectancy of the used machinery;

5. The market value of a reproduction of the equipment and that of a similar unit technically updated; and

6. Net weight.

In the case of imports of reconditioned parts and accessories for airplanes originating in and proceeding from the United States, the inspection and appraisal certificate should be issued by a company authorized by the U.S. Federal Aviation Administration.

In each case, interested parties must write to CACEX in advance, attach the necessary documents to meet the preceding requirements, and further list the following information:

1. National origin of the company's capital;

2. Associations or affiliations abroad;

3. Demonstration of technical benefits and economic advantages of the used material as compared to similar new material, taking into consideration the material's expected working life, operational costs, maintenance and repair costs, and index of rejects and yield (efficiency).

Sector Specific Controls

Informatics - Brazil's 1984 Informatics Law (Decree Law Number 7232) gives the Special Secretariat for Informatics (SEI) authority to regulate all trade, investment, research, manufacturing, technology transfer, and marketing in Brazil of "informatics" products or services. (Informatics products are defined as goods or services based on digital technology.) Based on this authority, SEI prohibits participation by foreign firms in product or service areas where Brazilian companies have technological capacity, thereby reserving large sectors of the computer and related markets for Brazilian firms only. SEI limits foreign investment in the informatics area to 30 percent nonvoting capital participation and has interpreted Law 7232 as prohibiting all technological joint ventures.

In practice, SEI's policies reserve the lower end of the market for Brazilian firms and leave the upper more technologically advanced areas, where Brazilian firms do not have manufacturing capabilities, for foreign participation. For example, manufacturing and marketing of microcomputers, minicomputers, and super-mini computers are reserved for Brazilian companies only, but foreign firms are permitted to manufacture and market mainframe computers in Brazil. The same principle applies to other equipment employing digital technology, such as medical equipment, measuring and test equipment, and industrial process controls.

A similar market reserve concept applies to computer software, but is based on separate legislation. Law 7645 (the "software law") of December 1987 provides copyright protection for computer software and establishes rules for marketing software in Brazil. Software copyright protection is granted for 25 years from the date a program is first released in any country. Copyright registration in Brazil is administered by the National Industrial Property Institute (INPI).

The software law requires that all software be "cataloged" by SEI prior to its commercialization in Brazil, and that software for use on Brazilian-made equipment (i.e., small and medium-sized computers) must be distributed through a Brazilian firm. In the case of foreign software, cataloging can be denied if SEI determines there is a similar program of Brazilian origin. SEI has 120 days to issue its decision regarding whether a program will be granted or denied cataloging. Decisions by SEI to deny cataloging can be appealed to SEI itself, CONIN (the informatics policy council), or through Brazilian courts. Once cataloged, a program can be freely marketed in Brazil for a period of three years, at the end of which cataloging must be renewed. During the cataloging renewal process, a test of similarity may be required.

Additional information on Brazil's computer and software restrictions and regulations can be obtained from the U.S. Commerce Department Brazil Desk at (202) 377-3871. The U.S. and Foreign Commercial Service (US&FCS) office at the American Embassy in Brasilia has available for purchase a translation of Decree Law Number 96036 of May 12, 1988, which implements Law 7646 (Brazil's software law).

Petroleum Products - Shipments of petroleum products in bulk are subject to the control of the National Petroleum Council. Such imports may be made through the authorization of that agency.

Packaged Lubricating Oil and Petroleum - The importation of lubricating oils and petroleum in individual packages for retail sales is prohibited.

Arms and Ammunition - All imports of firearms, ammunition, and implements of war, whether for personal, commercial, or government use, require a permit issued by the Ministry of the Army.

Wheat - Purchases and imports of wheat are controlled by the government Department of Wheat (CRTM), of the Banco do Brasil.

Other Products Requiring Special Approval/ Documentation - Imports of soft drinks, flammables, airplanes, dangerous substances, chlorinated pesticides, insecticides, other agricultural chemicals, and animal foodstuffs are also controlled.

Additional current and detailed information may be obtained from *A Basic Guide to Exporting* from the U.S. Department of Commerce and Dun and Bradstreet International's *Exporters Encyclopedia.*

Labeling and Marking Requirements

Labeling

There are no specific requirements regarding the labeling of general merchandise imported into Brazil, except for medicines, pharmaceutical specialties, and a limited range of foodstuffs, including alcoholic beverages. Country of origin markings are not generally required, except for merchandise with labels in Portuguese, which must clearly indicate the country of origin.

The Brazilian Government has imposed no legal requirement for the use of the metric system in marking imported products. However, because metric units are the official measuring system, importers often specify that products be labeled in metric units or show a metric equivalent.

The U.S. Senate Concurrent Resolution No. 40, adopted July 30, 1953, invited U.S. Exporters to inscribe, on external shipping containers in indelible print of a suitable size: "United States of America." Although such marking is not compulsory under law, U.S. shippers are urged to cooperate in publicizing American-made goods.

Marking

The essential identifying marks -- shipping marks, port of destination, and package number (when required) -- must be prominently shown on the shipping case and situated so that they will not be covered by any later strapping. Any other markings should be placed in a less prominent place and should be limited as much as possible to essential data. Identifying marks used in the bill of lading should also be shown on the shipping case. A number may be used as an identifying mark, provided that it is placed within a geometric figure, i.e., a triangle, square, etc.

Packages listed on a single commercial invoice must have the same mark and must be numbered consecutively; repetition of the same number is prohibited. The number of each shipping case should appear on one side of the marking and apart from the geometric figure so that it will not be construed as part of the marking. Numbering is not required when the same goods are shipped in lots of 50 or more identical packages, each having the same weight and dimensions.

Samples, Promotional Material, and Technical Literature

Samples

Samples that have no commercial value and are sent to recognized importers require the same documentation as commercial shipments. The documents must be marked "Samples, not for Sale"

(Amostra-Gratis). No import permit is required.

Commercial travelers may bring collections of samples into Brazil on a temporary duty-exempt basis. Brazilian customs authorities do not require presentation of an import permit for merchandise entered duty free in such a fashion. However, to guarantee withdrawal of the samples when the commercial traveler leaves the country, a bond or cash deposit must be posted in an amount equivalent to all duties, taxes, and fines that would apply in case of failure to reexport the merchandise. Use of international "carnets" (a "passport" for merchandise accepted in some countries in lieu of posting a bond) has not been accepted as yet by Brazilian customs authorities.

Samples and small parcels of minor commercial value, except those dutiable in the country of destination, may be mailed from the United States without U.S. shipping permits. Brazilian import documents are required, however, for shipments of small items by freight, air express, or parcel post even when intended as gifts. Procurement of these forms involves a considerable expenditure of time and money.

Advertising Matter and Technical Literature

Ordinary advertising matter, trade catalogs, prospectus, and other printed promotional materials (including posters of any kind and calendars) are dutiable, and an import license must be obtained prior to their entry into Brazil. However, foreign catalogs, pamphlets, and similar publications of a technical nature that are without commercial value and concern the operation, maintenance, repair, or use of machinery, vehicles, etc. may be imported free of duty. Newspapers, educational and scientific films, books, brochures, and similar printed matter for cultural, religious, or educational use may also be imported free of duty. Import licenses are not required in the case of such technical and educational material.

International Expositions and Fairs

The importation of merchandise intended to represent foreign government entities or private firms at international expositions and fairs must be approved by the Ministry of Industry and Commerce, and is administered by CACEX. In the special case of electronic instrumentation and components incorporating digital technology, SEI administers all import requests and authorizations.

Customs regulations for all materials that enter Brazil for use in expositions (machinery, stand frames, pamphlets, technical publications, advertising materials, food and beverages, etc.) are determined by the Finance Ministry. By special concession, the Ministry of Industry and Commerce authorizes the entry of such material into Brazil under customs entrepot regulations. To qualify for such customs clearance, the exhibitor must obtain the respective import license from CACEX prior to shipment. Again, for electronic instrumentation and componentry falling under the control of the Special Secretariat for Informatics, SEI may not be bypassed; its approval of all import permits is a requisite prior to embarkation of the equipment to Brazil.

The importation of merchandise to be exhibited is restricted to one unit of each kind or a set of each type or mark. Goods not sold must be returned to the country of origin within 120 days after the close of the exposition. If sold, the merchandise can be transferred from the exhibition site or bonded warehouse to the purchaser only after the nationalization process (the formal transfer of ownership) has been completed.[5] The importation of used merchandise and of products not originating from a country represented directly or indirectly in the exposition is forbidden. Imports of sample cases without commercial value and of merchandise typically identified as advertising material (flags, catalogs, magazines, photos, matchboxes, pencils, etc.), without commercial value may be authorized by inserting a clause classifying the nature of the operation in the respective import permit.

All material that is consumed, sold, or distributed during the fair is subject to import duties and taxes. For material that is sold, tax charges are automatically transferred to the Brazilian buyer. Materials distributed free of charge are subject to import taxes.

A special agreement between the United States and Brazilian Governments permits firms to exhibit under the auspices of the US&FCS in

Brazil, as a customs-free area. US&FCS Brazil should be contacted for shipment details.

The US&FCS conducts trade shows in Brazil; for these events U.S. exhibitors enjoy waivers to some of the above requirements, facilitating the demonstration of their wares.

Special Customs Provisions

Entry, Transit, and Reexport

In order to clear goods through customs without difficulty, Brazilian importers must have all necessary documents with them. Documents are often delivered to importers against their acceptance of the exporters' bank collection draft, as in open account shipments, unless otherwise contracted. When documents are sent by means other than the carrier on which goods are shipped, they should be forwarded soon enough thereafter to ensure timely arrival.

To clear merchandise through customs, importers or their agents must present copies of the commercial invoice (fatura comercial), which includes a declaration of origin of the merchandise (a separate certificate of origin is acceptable but not required), a copy of the bill of lading, and a copy of the import permit (guia de importacao).

It cannot be overemphasized that the documentation must be complete and correct in all requirements in order to avoid heavy fines and penalties. Exact weight and quantity of goods, including parts and accessories for machines and apparatus in general, must be accurately and completely supplied by the exporter to the importer on either the pro forma invoice or the commercial invoice. CACEX will allow the importer to make an initial request for an import permit omitting quantity and weight specifications, but the goods should not be shipped, and customs clearance will not be given, until the importer is able to present a commercial invoice from the exporter containing complete and accurate weight and quantity specifications.

While the importer may clear merchandise through Brazilian customs following the steps outlined above, this job is often turned over to a despachante, or freight forwarder. Despachantes are often quite large organizations that provide a wide range of services to anyone wanting to expedite their dealings with the government. The customs clearance fees charged by such an organization are controlled by the Brazilian Government. Despachantes are employed not only because they can clear goods through customs faster than an importer but also because they eliminate the need for permanent staff in the importing firm to handle such matters.

Parcel Post Shipments and Passenger Baggage

Parcel post shipments valued at no more than $5 are duty free and need no import papers, provided the addressee is not a business firm. Furthermore, an import license is not required for parcel post shipments of a volume, weight, and quantity acceptable to the Brazilian Government. Imports that are prohibited or subject to special regulations must comply with applicable Brazilian Government provisions.

Other merchandise that usually enters duty free includes items such as commercial samples, maps, books, newspapers, magazines, personal effects of individuals transferring residence to Brazil, and passengers' baggage. The following baggage is exempt from import tax: Passengers' clothing and linen, personal jewelry, consumption goods, books and magazines, and other objects for the passengers' professional or domestic use. Souvenirs with a value not exceeding $300 or its equivalent in other currencies plus $25 worth of liquor and cigarettes also are exempt from duties.

Transit Zones

The tariff law provides that goods in transit through the national territory, enroute to another country via customary channels of international trade, are exempt from the payment of import duties. Goods in transit are granted maximum storage periods of three months in the case of perishables and one year for other merchandise, extendable for an additional six months. The following Brazilian ports have been designated as transit zones for the specified neighboring country. Belem (for Peru and Bolivia), Corumba (for Bolivia), Manaus (for Ecuador), Paranagua (for Paraguay), Porto Velho (for Bolivia), and Santos (for Bolivia and Paraguay).

Other seaports or airports where federal customs officials are stationed may also be used as transit zones for countries contiguous to Brazil even though no special facilities have been created for transit shipments.

Free Ports and Free Zones

In 1967, a free trade zone was created in the 10,000 square kilometer area surrounding the city of Manaus in the state of Amazonas. Free trade zone status, granted for a period of 30 years and extended for an additional 25 years by the new Brazilian constitution, passed October 6, 1988, implies that goods of foreign origin may enter into the Manaus free port without payment of customs duties or other state, federal, or local taxes on imports. In addition, the Industrial Products Tax on certain commodities and the turnover or sales tax on most items are not applied in the free port. Imported products used for processing, reexport, or transshipment and which are subsequently shipped to other parts of Brazil also qualify for these tax exemptions (unless among a select group of exceptions). The sales tax is imposed on items produced in the free port when shipped out of the free zone into Brazil.

Foreign goods (except for tourist purchases) may not be transferred from the Manaus port into the Brazilian marketplace unless they have undergone processing or include parts as is stipulated by the most current legislation.

Although an annual import quota has been established for the free trade zone, various items may be exempted from the quota. Examples of exempt imports include petroleum, wheat, manufacturing inputs for products which will subsequently be reexported and goods imported under a drawback arrangement.

CACEX import licenses must be issued prior to shipment of goods destined for the Brazilian marketplace. These licenses are additionally subject to authorization by the Superintendency of the Manaus Free Trade Zone (SUFRAMA), the regional free zone authority. Commercial invoices and bills of lading must have "Free Zone of Manaus" typed on them, and one of the following statements, as applicable: "Zona Franca de Manaus para Consumo" (Manaus Free Zone for Consumption) or "Zona Franca de Manaus para Re-exportacao" (Manaus Free Zone for Reexport).

In July 1988, the Brazilian Government approved legislation to establish export processing zones (ZPEs) -- free trade areas -- to encourage production of goods for export in the northeast and other priority development areas. As of mid-1989, ZPEs are not functioning.

Legislation regarding ZPEs establishes requirements that firms operating in the zone export at least 90 percent of production. Up to 10 percent of production can be sold in the domestic market, and is subject to a duty of 75 percent ad valorem on the final price, minus the cost of imported inputs. Normal corporate income taxes apply to profits generated in the zones. Firms operating in the zones will be exempt from foreign exchange regulations and will maintain dollar and local currency accounts; the official Brazilian exchange rate must be used to convert dollar accounts for local purchases. Foreign firms established in the zones may use their own hard-currency resources for tax-free imports of machinery and raw materials from abroad. Firms in the ZPEs may not produce goods subject to export quotas.

Brazilian restrictions on the informatics sector will continue to apply in ZPEs. License and authorization requirements also remain in effect in FTZs for health/sanitary controls, national security interests, and environmental protection.

Abandoned and Reexported Goods

Goods imported into Brazil may be expressly or tacitly abandoned. They may be expressly abandoned in writing at any time prior to customs clearance. Tacit abandonment occurs when the merchandise is not withdrawn within the permissible warehousing period. Although customs laws permit the reexportation of merchandise that has entered the country legally, foreign trade controls make reexport difficult. Imported goods not cleared through customs require authorization for reexport.

On goods already cleared through customs, for which foreign currency payments were made, reexportation will not be authorized without reimbursement of the foreign currency paid. Once goods have been cleared through customs, they are considered nationalized, and import duties are not refunded if goods are reexported.

Goods shall be considered to be abandoned if they remain on customs premises 90 days after discharge; 60 days after the date on which clearance procedures where halted because of an action or failure to act on the part of the importer; and 45 days after the date of notification from customs.

Import Channels

General

All the customary import channels exist in Brazil: agents, distributors, import houses, trading companies, subsidiaries of foreign firms, etc. The typical import transaction is the importation of capital goods or raw materials by an individual firm for its own use.

Brazilian import firms do not generally maintain stocks of capital equipment or raw materials. This is partly due to a shortage of working capital. Additionally, should a buyer qualify for a duty reduction or exemption, an agent or distributor cannot get a rebate for import duty already paid on an item in stock. Some flexibility in the maintenance of stocks in the country has been opened up by legislation enlarging the operations of bonded warehouses. (Implementing regulations are contained in Decree Law Number 71,866, dated February 26, 1973.)

Agents and Distributors

As in other countries, the selection of an agent in Brazil requires careful consideration. A unique factor in the Brazilian situation is that a prospective agent may not be able to cover the entire country adequately. A regional orientation still prevails in the mind of many Brazilians, despite improved internal transportation and communications. A Sao Paulo based agent, for example, may want to split the commission with a subagent in Porto Alegre who would cover southern Brazil. This kind of arrangement is not always attractive to an agent in Porto Alegre who is accustomed to operating independently.

The ability of an agent to cover the country depends in large part on the item being sold; certain types of sophisticated machinery may have only a dozen or so potential buyers in Brazil, making marketing relatively simple. On the other hand, less expensive equipment with a wide potential market and the need for countrywide service facilities puts much greater organizational demands on an agent.

Brazilian income tax may be levied on a foreign exporter if there is evidence that the exporter is "present" in Brazil (Article 76 of Law Number 3470/58). This presence is determined basically by two interrelated factors -- the closing of sales contracts in Brazil and the existence of either an express or tacit power of attorney granted to an agent or representative in Brazil. In such cases, the taxable income is estimated at 20 percent of the total price of the product imported into Brazil. The precise applicability of this law to any particular transaction or agent-principal relationship is best determined by a Brazilian tax lawyer.

Once the agent-principal contract is signed, a Brazilian agent is protected by law from unilateral termination of the contract by the foreign principal without "just cause." The definition of just cause is limited to the following: the agent's negligence; the agent's breach of contract; acts by the agent damaging to the principal; and conviction of the agent for a serious criminal offense. The legislation governing contract stipulations and conditions for termination of agency agreements in Brazil is contained in Articles 27-39 of Law Number 4886, of December 10, 1965.

Trading Companies

The trading company is another type of import marketing organization in Brazil. Although principally designed as an export promotion tool, trading companies may play a role in importing through direct purchase or countertrade activities. The operation of Brazilian trading companies is open to foreign as well as national interests. Basic legislation, creating and defining the operations of trading companies, is contained in Decree Law Number 1248 of November 29, 1972.

Brazilian trading companies were modeled to some extent after foreign trading companies, principally German and Japanese. In Brazil trading companies are called empresas comerciais exportadoras, companhias comerciais, or companhias de comercia exterior. They are set up to give small and medium-sized manufacturers the same operational flexibility as large manufacturers

in promoting Brazilian exports, especially of nontraditional exports. Trading companies may act as principals, acquiring goods from Brazilian producers for the specific purpose of exporting, assuming all commercial risks and exporting under their own names. Alternatively, trading companies may act as intermediaries. In this role, they operate as commercial agents, utilizing their functional structure to provide complementary services. In either case, firms are eligible for export incentives and may obtain financing on the basis of goods held in their warehouses. To further encourage trading companies, the government created the Brazilian Customs Warehouses Company (Companhia Brasileira de Entrepostos e Comercio or COBEC). COBEC finances and manages customs warehouses, in Brazil and abroad, for use by trading companies.

Transportation

Of all the means available for transporting goods within Brazil, the highway system is the most used and one of the most dependable. The Brazilian Government has channeled considerable financial resources into improving and extending the network. Some shipping is done by rail, but generally speaking, the railway system is slower and not as extensive as the highway network. The government is trying to remedy deficiencies in the railway system. Coastal shipping is also deficient. Goods shipped between the ports of Santos and Porto Alegre, for example, have traditionally traveled by highway. Air cargo service, domestic and international, is excellent; however, congestion does occur in ground handling facilities in Sao Paulo and other large cities.

The two most important seaports are Santos and Rio de Janeiro. Both have extensive facilities, including bonded and refrigerated warehouses, and several grain installations. They are undergoing improvements and expansion.

Marketing Aids

Market research, advertising, and public relations activities have not reached the same degree of sophistication in Brazil as in the United States. However, numerous local and multinational advertising or marketing firms are available to advise U.S. suppliers of the kind of publicity campaign best suited to their products. Trade and industry associations and chambers of commerce may also be of assistance. In addition, the U.S. Department of Commerce provides valuable marketing and research services to U.S. firms.

The Brazilian advertising industry is growing rapidly in relation to the Brazilian economy. There are hundreds of U.S. and Brazilian agencies established. These agencies have access to research institutes, film companies, printing houses, sound recording companies, and direct-mail firms, all catering to advertising firms.

An industry association (sindicato or associacao) can also be of assistance to U.S. exporters, identifying potential Brazilian importers, especially if the products being sold are used by member firms. An association membership list can be a valuable marketing tool, since all Brazilian firms are required by law to belong to the sindicato for their industry. Related industry sindicatos of a particular state in Brazil are grouped together in a federation; state federations are in turn represented by their national confederation.

There are two independent American Chambers of Commerce for Brazil. The Chamber in Rio de Janeiro has approximately 800 member firms, and a branch in Salvador (in Rio -- Praca Pio X, 15/5th Floor, C.P. 916, 20040 Rio de Janeiro, RJ, Brazil, Tel: 203-2477). The Sao Paulo organization has approximately 2,000 members (Rua Alexandre Dumas 2372, C.P. 12518, 04798 Sao Paulo, SP, Brazil, Tel. 246-9199). Membership is divided more or less along geographical lines. Each organization publishes a directory of its members and serves as a source of useful information concerning Brazil and the activities of U.S. firms in Brazil.

The Commerce Department's US&FCS office in Sao Paulo provides American manufacturers an attractive, functional location for introducing their products, expanding sales if they are already in the Brazilian market, and carrying out a wide range of other commercial activities. Its address and telephone, telex and fax numbers are: Avenida Paulista 2439, Edificio Eloy Chavez, 01311 Sao Paulo, SP, Brazil, Tel: (55 11) 853-2011, Telex: (55 11) 25274, Fax: (55 11) 853-2744.

Market Research Studies

Valuable market research is provided by the U.S. Department of Commerce, International Trade Administration (ITA). ITA's US&FCS staff at the U.S. Embassy in Brasilia prepares brief industry sector analyses (ISA). In addition, ITA contracts out full-scale international market research (IMR) for certain target industries. These studies on key sectors in Brazil are available to the public and cover diverse industries. Market research information is available for the following subjects and may be requested through your local Commerce/ITA district office.

International Market Research (IMR)

Aircraft, Avionic and Ground Support Equipment. (Nov/88)
Computer Software and Services (Feb/85)
Electronic Components (Aug/88)
Electronic Components Production/Test Equipment (Sep/87)
General Hospital Equipment (July/86)
Industrial Process Controls (Feb/88)
Laboratory Instruments (Oct/87)
Mini and Microcomputers Systems (Feb/85)
Robots/CAD/CAM and Related Equipment (April/87)
Telecommunications (Feb/87)

Industry Sector Analyses (ISAs)

Aviation Industry Equipment (June/87)
Electric Power Equipment (Aug/87)
Education: English Classes in USA (June/87)
Industrial Process Controls (Feb/89)
Industrial Organic Chemicals (Aug/88)
Irrigation (Sep/87)
Medical Instruments and Supplies (July/88)
Metalworking Machinery (March/89)
Printing & Graphic Arts Equipment (July/88)
Analytical/Scientific Instruments (March/89)
Textile Machinery (April/87)
Tourism Services (June/87)

General Marketing Information

Aircraft and Parts (Dec/85)
Analytical and Scientific Instruments (Dec/85)
Computers and Related Equipment (Dec/85)
Electronic Components (Oct/87)
Electronic Components Prod/Test Equip. (Oct/87)
Electronics Industry Prod/Test Equip. (Nov/85)
Forestry/Woodworking Equipment (Oct/86)
Industrial Process Control and Analytical/Scientific Instruments (Dec/86)
Informatics (Mar/88)
Machine Tools/Metalworking Equipment (Dec/85)
Medical Equipment/Hospital Services (July/88)
Metalworking Machine Tools (May/85)
Mining Industry Equipment Markets (Feb/86)
Security/Safety Equipment (May/85)
Security/Safety Equipment (May/87)
Textile/Apparel Machinery and Equipment (July/86)
Tourism (Sep/86)

Other Services

The U.S. Department of Commerce is an additional source of marketing information and potential Brazilian business contacts. The Comparison Shopping Service (CSS) and Agent Distributor Service (ADS), available through district offices, are important market assessment and contact services designed to assist U.S. firms in identifying potential agents, representatives, distributors and licensing or joint venture contacts in foreign markets. Key information on firms operating in foreign countries is provided in the Commercial Information Management System (CIMS), according to the given industry. These lists may be useful in identifying importers, as well as agents, distributors and manufacturers.

Government Procurement

Brazilian Government imports (direct and indirect) account for almost half of Brazil's capital goods imports. In part, this is due to the considerable financial backing (domestic and international) given to infrastructure projects such as highway construction, hydroelectric plants, port improvement, subway construction, etc. It is worth noting that the Brazilian Government buys a preponderant share of total imports in at least two product categories, machinery and equipment for electric power and telecommunications, while other imports, such as petroleum and wheat, are controlled by government monopolies.

Some Brazilian Government agencies may import directly. These include Petrobras; the Ministries of Transportation, Education, Health, and Agriculture; and the armed forces. While all agencies are exempt from import duties, only the military is exempt from the import permit requirement.

In 1982, the Brazilian Government created the Secretariat for Control of State Enterprises (SEST) under the auspices of the Planning Secretariat. SEST was charged with the oversight and control of the budgets of parastatal entities, including establishing overall quotas on imports by agency. However, the determination of the goods comprising agency imports remains under the control of each agency.

In cases of indirect importation, such as purchasing foreign goods through local intermediaries, the government prefers to work through Brazilian firms. This policy is primarily to ensure the government's ease in taking legal action against a supplier if necessary. A Brazilian contractor with a government agency may import duty free in the name of the agency. In this case, the equipment must remain in the country. If the contractor later uses the equipment in Brazil for private purposes, a prorated duty must be paid.

Services

The Brazilian National Industrial Property Institute (INPI) regulates the contracting of foreign specialized technical services through application of the Law of Similars concept. INPI's definition of "specialized technical services" is broad, encompassing management studies, engineering services, industrial research and development, and use of computer systems in programs.

In practice, it is almost impossible for foreign service firms to operate in the public sector in Brazil unless work is performed in association with a local firm. To be considered Brazilian, a firm must have majority Brazilian capital participation and decisionmaking authority -- "operational control." As of mid-1989, it is unclear how the new constitution's requirements for "Operational Control" will be applied. A Brazilian state enterprise is permitted to subcontract services to a foreign firm if domestic expertise is not available for the specific task. A foreign firm may only bid for government contracts to provide technical services when no qualified Brazilian firm exists. Regulations governing this are contained in Decree Law Number 64.345 of April 10, 1969.

In case of international bidding to supply goods and services for specific government projects, successful bidders are required to have local representation -- i.e., "legal presence" in Brazil. Since the open period for bidding is often as short as one month, it is highly advisable to have a permanent resident in Brazil able to act on tenders as soon as they are announced.

A U.S. supplier may find that including local purchases of Brazilian goods and services within its bid, or significant subcontract association with a Brazilian firm, will improve the chance for success. Similarly, a financing proposal that includes credit for purchase of local goods and services for the same project will be more attractive than one that ignores local business.

The US&FCS staff in Brazil advises U.S. exporters interested in supplying goods and services for Brazilian Government projects that advance descriptions of U.S. suppliers' capabilities can often be influential in gaining a sale. These early proposals can be effective even before the exact terms of an investment plan are defined or the design of a project's specifications is completed. Such a proposal should include financing, engineering, and equipment presentations.

Credit

Export-Import Bank of the United States

The Export-Import Bank of the United States (Eximbank) offers a range of loan and loan guarantee programs to facilitate exports of U.S. goods and services. Eximbank's programs include Eximbank direct loans, commercial lender working capital loan guarantees, commercial lender loan guarantees, and intermediary loans. Eximbank works in conjunction with the Foreign Credit Insurance Association (FICA) to offer various export insurance programs, including short- and medium-term export credit insurance, multi-buyer insurance, letter-of-credit insurance, and lease insurance policies. Other Eximbank guaranteed export credits are available from the Private Export Funding Corporation (PEFCO), which

borrows in the commercial market and re-lends for exports. Additional information on Eximbank, FICA, and PEFCO programs can be obtained from:

Export-Import Bank of the United States
811 Vermont Avenue, N.W.
Washington, DC 20571
(202) 566-8990

Eximbank Small Business Hotline:
(800) 424-5201

U.S. Banks in Brazil

Brazil has one of the most sophisticated financial systems in Latin America. U.S. commercial banks have been in Brazil since 1915. Numerous American banks have a presence in Brazil:

The First National Bank of Chicago
Sao Paulo

First Interstate Bank of California
Rio de Janeiro

Banco de Boston
The First National Bank of Boston
Sao Paulo
(branch in Brasilia)

Citicorp Investment Bank
Citibank N.A.
Sao Paulo
(branch in Brasilia)

First Republic Bank Dallas
Sao Paulo

Manufacturers Hanover Trust Company
Sao Paulo

American Express do Brasil
American Express
Sao Paulo
(branch in Rio de Janeiro)

Wells Fargo Bank N.A.
Sao Paulo

BankCal
The Bank of California
Sao Paulo

Banco Chase Manhattan S.A.
Sao Paulo

NorChem
Banco Noreste Chemical de Investment S.A.
Sao Paulo

Bank America Corp.
Banco Internacional SA
Sao Paulo

Bankers Trust Company
Rio de Janeiro

Chemical Bank
Noroeste-Chemical SA Leasing (Norchem)
Sao Paulo

Continental Bank International
Continental Illinois National Bank & Trust Co. of Chicago
Sao Paulo

Crocker National Bank
Sao Paulo

First International Bankshares
First National Bank of Dallas
Sao Paulo

First Pennsylvania Bank, N.A.
Sao Paulo

Interfirst Corp.
Sao Paulo

Irving Trust Co.
Rio de Janeiro

Maryland National Corp.
Sao Paulo

Mellon Bank International
Rio de Janeiro

Morgan Guaranty Trust Company of New York
Sao Paulo

NCNB International Banking Corp.
Sao Paulo

Pittsburgh National Corp.
Sao Paulo

Republic National Bank of New York
Sao Paulo

T Henry Schroder Bank & Trust Co.
Rio de Janeiro
(Branch in Sao Paulo)

Security Pacific International Bank
Sao Paulo

Texas Commerce Bank N.A.
Sao Paulo

Union Bank
Rio de Janeiro

Investing in Brazil

Investment Climate

The basis of Brazil's policy governing foreign investment is over 25 years old. Ostensibly, foreign capital is granted the same treatment as national capital, and foreign investment is encouraged. However, the Brazilian Government has never adopted a comprehensive statute regulating foreign investment. Various laws and regulations governing investment combine to create a very complex, and in some sectors, restrictive investment climate. Legislation and regulations govern a broad range of investment activities in Brazil, including technology transfer, profit remittances, royalty payments, and government procurement.

Though prior Central Bank approval is required, foreign investors are generally free to invest directly in legitimate ventures in sectors not reserved for Brazilian companies. Government policy discourages foreign investment in certain sectors of the economy. Prohibited sectors include petroleum production and refining, as well as most public utilities. Government policy seeks to boost nationally owned development of sectors (such as informatics and telecommunications) that are perceived to be of "strategic importance" for long-term technological development in Brazil.

The protection from competing imports granted to foreign and domestic firms with manufacturing facilities in Brazil has been instrumental in attracting investment. Brazil's large internal market is also a key factor attracting investment.

Brazil's new constitution contains certain provisions that threaten to restrict foreign investment in various sectors of the Brazilian economy. National or most-favored-nation (MFN) treatment is not guaranteed to foreign- controlled companies, and market reserve -- prohibiting foreign investment in certain sectors -- is encouraged. The constitution differentiates between Brazilian-owned companies (BNCC) and Brazilian companies with foreign capital. A BNCC must be permanently controlled by individuals domiciled in Brazil (or the Brazilian Government) who retain majority ownership of the firm's voting capital and all decisionmaking authority (Article 171.II). Fiscal benefits and preferential treatment in government procurement are granted to BNCCs. Under the new constitution, foreign participation in health services and petroleum and mineral exploration would be severely curtailed. Legislation would be required for these provisions to be enacted.

Registration of Foreign Capital

Capital, loans, and technology agreements must be registered to ensure remittance rights. Law Number 4131 of September 1962 regulates the registration and repatriation of foreign capital and resultant profits. The provisions of this law and subsequent modifications were consolidated in Decree Law Number 55.762 of February 1965.

In order to qualify for the remittance of profits, foreign capital must be documented and registered with the Central Bank either by the foreign owner or the local entity. Any new investment or increases must be reported within 30 days. Distinctions should be made for:

1. Foreign capital invested through the remittance of cash or in the form of equipment,

2. Reinvested profits, and

3. Other increases in foreign capital.

Reinvested profits in this context are defined as those profits earned in Brazil on registered foreign capital which have been retained and capitalized. Registration of such capital must be made both in local currency and in the currency of the country to which the profits could have been remitted.

For remittance purposes, technology and related agreements must be registered with the National Institute of Industrial Property (INPI) and with the Central Bank. INPI registration of a technology agreement involves an appraisal of the need for the services to be rendered and the local availability of alternative technology. In the case of royalties, registration of the contract depends on proof that the related patent or trademark is duly registered in Brazil and is still valid.

Investment Incentives

Several Brazilian state and federal government agencies are involved in awarding incentives to foreign and domestic investment. At present, the future of these programs is being debated in the congress, with some factions favoring increased funding, and others favoring cutbacks or elimination due to government deficit.

Since Brazil's new constitution is still being implemented by laws and regulations, investment policies may well be affected. U.S. firms are advised to get an updated report from competent legal counsel prior to deciding on investment in Brazil.

The major investment incentive program has been that administered by the Secretariat for Industrial Development (SDI), of the Ministry of Industrial Development, which includes working capital loans and various fiscal incentives. It is available for both Brazilian and foreign firms.

Incentives are more readily attainable if the U.S. investor holds a minority position in a Brazilian company. The SDI follows certain criteria in judging whether incentives should be granted to foreign investment proposals. Factors viewed favorably in a foreign investment proposal include:

1. Involvement of a Brazilian company in the project as a joint venture partner;

2. Bringing in a form of technology that can be transferred to the local market;

3. Employing as many Brazilians as possible, especially in management and supervisory positions;

4. Future plans, if not commitments, to export;

5. Willingness to bring in foreign capital (as opposed to borrowing funds in Brazil or using technology as a contribution in a venture deal); and

6. Locating the project outside the three leading industrial states of Sao Paulo, Rio de Janeiro, and Minas Gerais.

Although these criteria do not form a set of hard-and-fast rules, they give an indication of the Brazilian Government's attitude toward foreign investment.

Among the key investment incentive programs is that controlled by BEFIEX (Commission for Granting Tax Benefits to Special Export Programs), established in 1972 as a tool to promote exports. Under the BEFIEX program, companies are granted fiscal benefits in exchange for a commitment to export goods equivalent to three times the company's average value of imports. Incentives include:

1. A 70 to 80 percent duty and tax reduction on imports of equipment and machinery to be used in producing the exports. These reductions can be obtained, even when a national similar product exists in Brazil if prior approval is granted by the Ministry of Industrial Development for machinery, equipment and components, or by the Customs Policy Council in the case of other inputs;

2. A 50 percent duty and tax reduction on imports of raw materials, components, and intermediate inputs; and

3. Exemption from payment of corporate profits tax and taxes on profit remittance earned through exporting.

Brazil has introduced two financing programs aimed at export promotion and import substitution under the National Economic and Social Development Bank (BNDES). Under PROEX (Program of Support to Increase Exports) and PROSIM (Program of Support for Import Substitution), financing will be provided for equipment purchases (if installed and operational within six months), technical innovations, commercial promotion, and working capital.

Various other incentive programs exist in the automotive, tractor, harvester, railroad,

steelmaking, and energy fields. These offer incentives (usually tax and import duty reductions) for increased local content -- 80 to 90 percent or higher in some cases. Export and local content commitments are not required of foreign firms as a condition for investment in Brazil, but are required for firms receiving incentives.

In addition, the various states of Brazil, through their own industrial development councils, also offer incentives to foreign investors, including concessionary financing, tax rebates or holidays, industrial parks, and financed feasibility studies. These councils also provide step-by-step guidance for foreign investors and labor.

Restrictions on Foreign Investment

Investment in certain sectors of the Brazilian economy is subject to restriction and requires Central Bank approval. This procedure allows the government to control market access through investment restrictions and prohibitions. In addition to actively restricting foreign investment in certain sectors for nationalistic or security reasons, foreign participation is limited by extensive state ownership characteristic of Brazil.

Industries in which investment opportunities are reserved for Brazilian nationals include: petroleum and mineral exploration and refining, fishing, domestic airlines, the merchant marine, information media, and most utilities. Foreign firms also have been barred from participation in the country's program for producing alcohol as a gasoline substitute except on an export-only basis.

Foreign investors are subject to restrictions, but are not barred from participating, in other sectors such as petrochemicals, agriculture, telecommunications, aircraft, and informatics. In the petrochemical sector, for example, the prevailing form of ownership is the tripartite model in which the government-owned Petrobras, private Brazilian investors, and foreign investors each take a one-third share in the venture. In the telecommunications industry, supply of most equipment is reserved for Brazilian-controlled firms. As has already been discussed, the Brazilian Government has adopted a rigid policy of reserving most of the informatics sector for Brazilian firms, or for multinational corporations already manufacturing in Brazil who operate under restrictions imposed by the Special Secretariat for Informatics. Under the new constitution, all mineral resources are property of the state. Exploration of mineral resources can be undertaken only by Brazilians and only with national capital.

In general, firms operating in communications, information media, and certain capital goods sectors can expect to be pressured to take on minority shareholders. For most projects in basic sectors such as insurance, the government seeks majority Brazilian ownership. Foreign ownership in financial institutions is restricted to minority control, and foreign banks intending to open branch offices require Central Bank approval.

Direct or indirect foreign ownership of real estate is strictly regulated and subject to limitations as to the amount of real estate owned. Foreign investors may not own property within 150 kilometers of Brazil's land borders or coastlines. In the Amazon Basin, considered a national security area, foreigners may not own more than 3,500 hectares of land for any purpose. In addition, National Security Council permission is required for a new foreign investment in approximately 75 other national security zones. Purchases of large rural tracts are subject to the approval of the Ministry of Agriculture or the Ministry of Industrial Development, depending on the intended use. Additionally, in 10 Sao Paulo municipalities, foreign companies are allowed to purchase a maximum of 750 hectares. This requirement was imposed because of the heavy concentration of foreign firms in the area.

Under the U.S.-Brazil Investment Guaranty Agreement, the U.S. Overseas Private Investment Corporation (OPIC) insures U.S. investments in Brazil for certain risks.

Repatriation of Capital and Earnings

Foreign capital (currency, capital goods, or machinery) must be registered with the Central Bank to ensure the right to remit profits and repatriate the principal. Registration of investment inflows must be applied for within 30 days of the inflow and such funds should be directed to a local company established to do business in Brazil. Likewise, reinvestment should be registered with the Central Bank to increase the effective "base" from which total investments and profits may be repatriated. Profits may only

be remitted on capital brought into Brazil or on reinvestment of profits derived from such capital. As previously mentioned, Law Number 4131 of September 3, 1962 established the basic criteria for repatriation of foreign capital and profits arising from foreign investments. This was later modified by Law Number 4390 of August 29, 1964 and Decree Law Number 55.762 of February 17, 1965.

Capital (including reinvestment), up to the amount registered with the Central Bank, may be repatriated without payment of tax nor limitation as to period or amount. Quantities in excess of the registered foreign currency (i.e., capital gains) require special permission before being repatriated and are subject to withholding tax. Repatriation of quantities exceeding registered capital is subject to a 25 percent income tax.

Dividends and branch profits on registered foreign investments are freely remittable. While there is no limit on the amount of profits remitted, supplementary taxes are imposed on remittances in excess of certain limits. Currently, repatriated profits of up to 12 percent of registered capital are subject to standard withholding. Additional quantities are subject to special taxation at progressive levels from 40 to 60 percent. Investment capital resulting from debt conversion must remain in Brazil for a 12-year period before remittance is permitted. Resultant dividends may be freely remitted (according to basic profit remittance regulations).

Remittances of royalties by a branch or subsidiary established in Brazil to its head office abroad are not permitted when 50 percent or more of the local firm's voting capital is directly or indirectly held by the foreign principal firm or when the majority of the firm's capital in Brazil belongs to the recipients of the royalties abroad.

Technical assistance fees cannot be remitted above a predetermined level, as a rule, when remuneration for such services exceeds specified percentages, ranging from 1 to 5 percent, of net receipts from the sale or manufacture of the products.

The minimum repayment period for foreign loans is eight to 10 years (when qualifying for tax incentives), with a grace period of 30 months before the first repayment of principal. The loan may be repaid in equal installments throughout the remainder of the period of the loan (5 1/2 or 7 1/2 years, respectively). Subject to these limitations, no restrictions are imposed on the payment of loan principal, provided that the financial contract is registered with the Central Bank. Interest is freely remittable within the terms of the registered loan contract.

Supporting documentation must be presented for approval of any remittance abroad of any funds. When profits or other forms of taxable income are involved, proof must also be furnished that the appropriate withholding tax has been paid. Foreign businesspeople should not, in general, try to solve their problems directly with the Brazilian Government, but rather work through their attorneys or freight forwarders. Legislation and regulations affecting business in Brazil tend to be short-lived; the system is complex; and a little knowledge may be worse than none.

The general rule is to comply strictly with the terms of import permits; do not take advantage of technical errors or bona fide mistakes, since this can create further complications.

Intellectual Property Protection

A major concern of foreign companies trading with Brazil is that protection of intellectual property rights is often inadequate and uncertain.

Brazil is a signatory to the Paris, Berne, and Universal Copyright conventions on intellectual property rights (IPR) protection. Most of the country's statutes on IPR are consistent with Western standards. In practice, however, the government often discounts existing statutes and enforcement mechanisms in its quest for rapid economic growth, annual trade surpluses, and advanced technology.

Brazil's technology-transfer regulations affect most IPR protection -- from trade secrets to computer software. By law, the Brazilian National Industrial Property Institute (INPI) is required to approve all transfer-of-technology agreements and all patent and trademark licenses.

INPI follows a policy of tight control to minimize foreign exchange outflows and to develop Brazil's base of advanced technology. INPI considers all technology transfer agreements, regardless of form or classification, to be installment contracts for sales of technology, not licenses as such.

Likewise, INPI views payments for technology as installment payments, rather than royalties per se. Brazil does not have a statue that specifically provides protection to trade secrets or know-how. There is only an indirect form of protection, normally of five-years' duration, derived from the unfair competition section of Brazil's Industrial Property Code, Article 178, Item XII. Brazil's Copyright Law of 1973 is generally consistent with accepted Western standards.

Issues of concern to foreign patent holders are INPI's slow processing of patent applications; the federal judiciary's uncertain application of patent law; the potential for arbitrary interpretation of compulsory licensing requirements; and Brazil's statutory prohibition against either process or product protection for pharmaceutical patents.

Guidance for the Business Traveler Abroad

Entrance Requirements

While foreign business visitors may enter Brazil with only a tourist visa, Brazilian law requires that they must have a temporary (business) visa if they plan to transact business. "Business" would include signing legal documents, engaging in financial or commercial transactions, and working or engaging in research.

Visa status may be changed while in Brazil. If the change is from a temporary to a permanent visa, duty-free entry of personal effects is not permitted.

Tourist visas are valid for 90 days. A temporary business visa is valid for 90 days. Transit visas are valid for 10 days and require travelers to enter and exit through the same port.

Details regarding Brazilian visa procedures and requirements are provided in literature available on request from the Consular Section, Embassy of Brazil, 3006 Massachusetts Avenue, N.W., Washington, DC 20008. Tel: (202) 745-2828.

Business Etiquette

U.S. business visitors must become accustomed to several business conditions that are specific to Brazil. Compared to the United States, the pace of negotiation is slower and is based much more on personal contact. It is rare for important business deals to be concluded by telephone or letter. Many Brazilian executives do not react favorably to quick and infrequent visits by foreign sales representatives. They prefer a more continuous working relationship. The Brazilian buyer is also concerned with after-sales service provided by the exporter.

The slower pace of business negotiation does not mean that Brazilians are less knowledgeable in terms of industrial technology or modern business practices. In fact, one should be as prepared technically when making a call on a Sao Paulo firm as on a Chicago firm. In addition, a U.S. business person is encouraged to learn as much about the Brazilian economic and commercial environment as possible before doing business in that country.

While office hours in Brazil are generally 8:30 a.m. to 5:30 p.m., decisionmakers begin work later in the morning and stay later in the evening. The best times for calls on a Brazilian executive are between 10 a.m. and noon, and 3 to 5 p.m., although this is less the case for Sao Paulo where appointments are common throughout most of the day. Lunch is usually two hours. It is customary in Brazil to drink coffee during a business appointment.

While many Brazilians may speak English, they may wish to conduct business in Portuguese. The non-Portuguese speaking U.S. executive may need an interpreter on more than 50 percent of business calls. Correspondence and product literature should be in Portuguese, and English is preferred as a substitute over Spanish. Specifications and other technical data should be in the metric system.

Travel and Transportation

Air Travel - Brazil has three major airlines, Varig/Cruzeiro, Vasp, and Transbrasil. These companies provide efficient service throughout the country. Brazilian regional airlines provide service to their respective parts of the country. Air taxi services are available at most airports. Scheduled airline fares are comparable to those in Western Europe.

Business people, travelers, and residents spend a good deal of time among the four most important cities -- Sao Paulo, Rio de Janeiro, and Brasilia and Belo Horizonte. Sao Paulo is Brazil's center for commerce and manufacturing; Rio de Janeiro is important for its service industries and several state companies; Brasilia is the seat of government and location of foreign embassies. An excellent air bridge (or "ponte aerea") service facilitates travel among these three cities. During rush hours, flights between Rio de Janeiro and Sao Paulo leave every 15 minutes from conveniently located downtown airports. For weekend travel, return reservations must be confirmed for Rio on Friday evening and for return to Sao Paulo or Brasilia on Monday morning.

Local Transportation - Meter taxis, identified by roof lights, are plentiful in urban areas. However, getting about in Sao Paulo and other large cities can still be a problem. It is not always possible to rely on taxis when making calls. They are extremely difficult to find at certain hours of the day and in certain sections of the city. Fares are inexpensive, but frequently readjusted to compensate for the high inflation rate. A table used to adjust fares is posted on the inside of the taxi's rear window. It is not necessary to tip.

Radio taxis are more expensive but convenient and reliable. In Rio call: 270-1442, in Sao Paulo call: 251-1733, in Brasilia call: 224-3330 or 224-7474, and in Belo Horizonte call: 464-3999.

Rental cars are common, especially at airports. They can be costly compared with other forms of transportation. Sao Paulo is very confusing for a newcomer; driving is not recommended.

Time

Local time in Brazil is two hours ahead of Eastern Standard Time. The country observes daylight savings from December to February. When daylight savings is in effect in the United States, Brazilian time is one hour ahead. When daylight savings is in effect in Brazil, Brazilian time is three hours ahead.

Entertainment

Cinemas in Rio and Sao Paulo show a wide variety of up-to-date foreign films in the original language with Portuguese subtitles. For those who understand Portuguese, theater is lively, especially in Sao Paulo. Music and dance performances are also common is these two cities. Nightclubs for all tastes are plentiful in Rio and Sao Paulo. Discos are found in many of the better hotels. Brasilia, by contrast, is less culturally sophisticated than Rio and Sao Paulo.

In Rio, much of the entertainment is on the beaches. Copacabana covers a 6 kilometer crescent and is the largest and most famous. The beaches of Ipanema and Leblon are more chic. Further along the coast, beaches at Sao Conrado and Barra, tend to be less crowded.

Residents escape the pollution of Sao Paulo for a day at the beach with an hour-long drive to Santos or Guaruja on the coast.

Holidays

The following holidays are designated by the Brazilian Government:

New Year's Day - January 1
Carnival* - Four nights and three days preceding Ash Wednesday Good Friday
Easter Sunday
Tiradentes Day - April 21
Labor Day - May 1
Corpus Christi - May 25
Independence Day - September 7
"Nossa Senhora Aparecida" (Our Lady Appeared) - October 12
All Souls Day - November 2
Proclamation of the Republic - November 15
Immaculate Conception - December 8
Christmas Day - December 25

In addition, various state holidays and other religious and federal holidays are proclaimed throughout the year. Some of these include:

San Sebastian Day - January 20 (Rio de Janeiro only)
Anniversary of the Founding of the City of Sao Paulo - January 25 (Sao Paulo only)
"Nossa Senhora Dos Navegantes" - February 2 (Porto Alegre)

* Avoid arriving during Carnival unless reservations have been confirmed in advance.

General Information

Foreign Exchange -- Banks are open from 10 a.m. until 4:30 p.m., Monday through Friday, for purchases of local currency. The Brazilian Government has recently followed a policy of daily mini-devaluations of the currency. When leaving Brazil, take only a minimum of local currency to cover taxi fare to the airport, the exit tax (approximately $6) and any last-minute purchases. Remaining cruzados may be converted back into hard currency at the official rate, provided official exchange receipts are shown. As of January 1989, there is a tourist exchange rate in Brazil that may differ from the official rate. The Brazilian Government has authorized the purchase and sale of foreign exchange at free market rates for purposes linked to tourism. These transactions may be undertaken by banks, travel agencies, exchange brokers, and hotels.

Souvenirs -- The best buys for souvenirs and gifts are probably lace from the northeast, Amerindian arts, and loose precious stones bought from a reputable dealer. Manaus is an inland duty-free port where electronic consumer goods can be purchased at excellent prices.

Street Crime -- In Rio de Janeiro, (particularly along Copacabana and Ipanema beaches) and also in parts of Sao Paulo, muggings are common despite police patrols.

Visitors should be as "street wise" as they would be in any large metropolitan area and use common sense and take precautions. These include the following: travel in groups as much as possible; walk only in well-lighted areas; dress casually; do not carry more cash than you need for the occasion; leave valuables -- including all rings, bracelets, watches, etc. in the hotel safe; seek advice from your hotel porter on the local areas to avoid; and videos and cameras brand you as a tourist -- take them out only when necessary.

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The information supplied in this report is not intended to serve in lieu of legal counsel. Such advice may be obtained from attorneys in the United States who specialize in foreign law. A list of attorneys in Brazil may be obtained from the U.S. Department of Commerce, International Trade Administration, Brazil Desk, Room H-3025, Washington, DC 20230; tel: (202) 377-3871.

U.S. Diplomatic and Consular Posts in Brazil

American Embassy

Avenida das Nacoes, Lote No. 3
70403 - Brasilia, DF, Brazil
Tel.: (55 61) 321-7272
Telex: (55 61) 1091
FCS Fax: (55 61) 225-3981

American Consulate General

Rio de Janeiro:
Avenida Presidente Wilson, 147
20030 Rio de Janeiro, RJ, Brazil
Tel.: (55 21) 292-7117
Telex: (55 21) 21466

Sao Paulo:
Rua Padre Joao Manuel, 933
01411 Sao Paulo, SP, Brazil
Tel.: (55 11) 881-6511
Telex: (55 11) 31574

Commercial and Agricultural offices at:
Avenida Paulista, 2439 - lo. andar
Tel.: (55 11) 853-2011
Telex: (55 11) 25274
FCS Fax: (55 11) 853-2744

American Consulate

Porto Alegre:
Rua Cel. Genuino, 421
90010 Porto Alegre, RS, Brazil
Tel.: (0512) 26-4288/26-4697
Telex: (0512) 2292

Recife:
Rua Goncalves Maia, 163
50070 Recife, PE, Brazil
Tel.: (081) 221-1412
Telex: (081) 1190

American Consular Agent

Belem:
Avenida Oswaldo Cruz, 165
66020 Belem, Para, Brazil
Tel.: (091) 223-0800
Telex: (091) 1092

Belo Horizonte:
(BPAO) Avenida Cristavao
Colombo, 400
30140 Belo Horizonte, MG, Brazil
Tel.: (031) 224-9339
Telex: (031) 1817

Manaus:
Rua Maceio, 62
69057 Manaus, Amazonas, Brazil
Tel.: (092) 243-4546

Note: The Commerce Department's International Trade Administration has U.S. and Foreign Commercial Service offices in Brasilia, Sao Paulo, Rio de Janeiro, Belem, Belo Horizonte, and Porto Alegre.

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Business Guides

1. Summary of Investment Legislation in Brazil, Third Edition, Banco do Brasil, March 1982, 118 pp. Order from Banco do Brasil, 550 Fifth Avenue, New York, NY 10036; (212) 730-6700. Free of charge.

2. Doing Business in Brazil, Pinheiro Neto & Co. Binder of monthly updates. Available from Matthew Bender Company, Customer Service Department, 1275 Broadway, Albany, NY 12201; (800) 544-6563.

3. Foreign Business in Brazil -- A Practical Law Guide (2nd edition), Thomas Benes Felsberg, 336 pp. Order from IBDT: Livereiros e Editores Ltda., Avenida Paulista, 1471, conj. 919, 01311 Sao Paulo, SP, Brazil.

4. Latin America a Tax Tour: Brazil (1985). Order from Arthur Anderson & Company, International Tax Department, 1345 Avenue of the Americas, New York, NY 10105; (212) 708-4360.

5. Information Guide: Doing Business in Brazil (July 1986), Price Waterhouse & Company, International. Order from Distribution Center, Price Waterhouse & Company, P.O. Box 30004, Tampa, FL 33630; (813) 287-9000, or order from local branches. Free of charge.

6. Business Study: Brazil (February 1981). Available from International Publications Department, Touche Ross & Company, 1633 Broadway, New York, NY 10019; (212) 489-1600. Free of charge.

7. Investment in Brazil (March 1983). Order from Peat, Marwick, Mitchell & Co., Distribution Center, 345 Park Avenue, New York, NY (201) 307-7931.

8. Investing, Licensing and Trade Conditions Abroad: Brazil. Available in major libraries or from Business International, Subscriptions Department, One Dag Hammerskjold Plaza, 7th floor, New York, NY 10017; (212) 460-0623.

9. Interinvest Guide (1986). Bilingual guide to ownership relationships of foreign firms in Brazil.

10. Brazilian Financial Atlas. Description of Brazil's private entrepreneurial relationships. Order from: Interinvest Editora e Distribuidora Ltda. Praca Olavo Bilac, 28, Suite 1911 C.P. 2815-ZC-00, 20,000 Rio de Janeiro, R.J., Brazil.

11. American Firms Operating in Brazil (11th Edition, 1987), 80pp. A list of firms compiled anby World Trade Academy Press, 50 East 42nd Street, New York, NY 10017; (212) 697-4999.

12. U.S.-Brazil Business Listing (November 1987). Includes companies in the United States and their subsidiaries and affiliates in Brazil. Available from the Brazilian-American Chamber of Commerce, Inc., 22 West 48th Street, New York, NY 10036 - 1986; (212) 575-9030.

Business Newsletters and Magazines

1. Brazilian News Briefs: Summary of important items from the Brazilian press and other sources. American Chamber of Commerce for Brazil; Avenida Rio Branco, 123, 21 andar; C.P. 916; 20000 Rio de Janeiro, R.J. Brazil.

2. Brazilian Business Trends: A weekly report to management on the Brazilian economy. Order from Analise Editora Ltda., Avenida

Pedroso de Morais, 433; 05419 Sao Paulo, S.P. Brazil; Telephone: (011) 815-0879.

3. Business Latin America: Weekly newsletter containing business articles on Brazil and other Latin American countries. Published by Business International, Subscriptions Department, 215 Park Avenue South, 18th floor, New York, NY 10003; (212) 460-0600.

4. Banco Central do Brasil: Informativo Mensal. Available on request from Economics Department, Banco Central do Brasil, Setor de Autarquisas Sul, 70070 Brasilia, D.F., Brazil; Telephone: (061) 224-7115.

5. News Bulletin: A monthly review of Brazilian business and financial news. Brazilian-American Chamber of Commerce, 22 West 48th Street, New York, NY 10036-1886; (212) 575-9030. Free of charge to Chamber members.

6. Brazilian-American Business Review/Directory (May 1983). Brazilian-American Chamber of Commerce, 22 West 48th Street, New York, NY 10036-1886; (212) 575-9030.

7. Banco do Brasil/Monthly letter. Order from International Division (ASPLA), Banco do Brasil, C.P. 1150, 20000 Rio de Janeiro, R.J., Brazil.

8. Conjuntura Economica. A monthly magazine (in Portuguese) with in-depth articles on Brazil's economic, commercial, industrial and financial situation and many statistical tables. Getulio Vargas Foundation, C.P. 9052, 20003 Rio de Janeiro, R.J., Brazil.

9. Gazeta Mercantil (New York Weekly Edition). English excerpt from the Brazilian daily business newspaper, Gazeta Mercantil. Order from Flavio Ebert, 220 East 42nd Street, room 930, New York, NY 10017; (914) 665-9867.

Industry and Trade Publications from Brazilian Publishers

1. Editora Abril, Avenida Otaviano Alves de Lima, 800 Sao Paulo, S.P., Brazil:
   Exame, monthly general business magazine;
   Veja, weekly general interest news magazine.

2. Bloch Editores, Rua do Russel, 766, 22210 Rio de Janeiro, R.J., Brazil:
   Manchete, weekly general interest magazine;
   Tendencia, monthly business magazine.

3. Editora Visao Rua Afonso Celso, 243 04119 Sao Paulo, S.P., Brazil:
   Visao: Weekly, general news magazine;
   Quem e Quem na Economia Brasileira -- Annual who's who of the Brazilian economy with sector analyses and financial data on the more important firms within each sector. Subscriptions available from the above address or from: Visao Magazine, National Press Building, Room 735, 529 14th Street, N.W., Washington, DC 20045, (202) 347-3810.

4. Perfil: 1983 Federal Administration Book.

5. Editora Pesquisa e Industria Ltda., Rua da Consolacao 2043, 01031 Sao Paulo, S.P., Brazil:
   Anuario das Industrias Comprehensive list of Brazilian manufacturers by product area. Available for postage charge only.

6. DeFilippes Company
   420 Lexington Avenue, Room 1760, New York, NY 10170, (212) 697-8185, Mr. Thomas Young:
   Electricidade Moderno (Electrical industry);
   Quimica e Derivados (Chemical industry);
   Transporte Moderno (Transportation)

7. Data News (the major computer industry publication in Brazil). Rua Alcido Guanabara 25, 10 andar; 20031 Rio de Janeiro, R.J., Brazil; Telephone: (021) 240-8225, Telex: 391-21-30838.

Brazilian Newsletters

1. Carta Semprel de Brasilia
   Brasilia: Setor Commercial Sul, quadra 06, Bloco A, No. 157, Edificio Bandeirantes, Salas 301/304, 70300 - Brasilia - DF, Telephone: (061) 321-1324 Telex: (061) 1383 SSMR.
   Sao Paulo: Rua Jesuino Arruda, 797, 3o andar, 04532 -Sao Paulo -SP, Telephone: (011) 852-6144 Telex: (011) 60944 SSMR.

2. Brazilian Business Trends:
Rua Jose de Freitas Guimaraes, 65, 01237 - Sao Paulo - SP Telephone: (011) 263-1295 Telex: 1182683 YUTS BR.

3. Letter: Setor Comercial Sul, quadra 08, Bloco B-50, Sala 443, 70333 - Brasilia - DF, Telephone: (061) 225-0811 Telex: (061) 3426-MLCC-BR Fax: (061) 225-0163.

Brazilian Statistical Sources (in Portuguese)

1. Anuario Estatistico do Brasil. Available from Fundacao IBGE (Instituto Brasileiro de Estatistica), Avenida Franklin Roosevelt, 166, 20000 Rio de Janeiro, R.J., Brazil.

2. Comercio Exterior do Brasil (import/export statistics). Centro de Informacoes Economico-Fiscais (CIEF), Secretaria de Receita Federal, Ministerio da Fazenda, 70000 Brasilia, D.F., Brazil.

3. Boletim do Banco Central do Brasil (banking and finance). Banco Central do Brasil, Departamento Economico, C.P. 04-0170, 70000 Brasilia, D.F., Brazil.

Other Information Sources

1. Annual Report on Exchange Restrictions. International Monetary Fund. Approximately 500 pp. Worldwide survey of exchange regulations with section on Brazil. Available from Publications Office, International Monetary Fund, Washington, DC 20431; (202) 623-7430.

2. Douanes, International Customs Journal: Brazil, 1986. Available from the International Customs Tariff Bureau, Rue de l'Association 38 - B, 1,000 Brussels, Belgium.

3. Manual de Atualizacao da Tarifa Aduaneira do Brasil, (Brazilian tariff book). Editora Agenco, Ltda.; Rua Senador Dantas, 75, 4 andar; 20037 Rio de Janeiro, R.J., Brazil.

4. Translations. List of translations of official Brazilian Government measures, with prices, available from American Chamber of Commerce for Brazil; Avenida Rio Branco, 123, 21 andar; C.P. 916; 20000 Rio de Janeiro, R.J., Brazil.

5. Country Labor Profile: Brazil, Bureau of International Labor Affairs S-5015, U.S. Department of Labor, Washington, DC 20210; (202) 523-7631.

6. Background Notes: Brazil, Office of Brazilian Affairs, Room 4262, U.S. Department of State, Washington, DC 20520; (202) 647-6541.

Other organizations with Current Information on Brazil

1. U.S. Chamber of Commerce, Room 619, International Division, 1615 H Street, Washington, DC 20062. Director of Latin American Affairs; (202) 463-5485.

2. Brazilian American Chamber of Commerce 22 W. 48th Street, New York, NY 10036; (212) 575-9030.

3. Council of the Americas 1625 K Street, N.W., Suite 1200 Washington, DC 20006; (202) 659-1547

4. Brazilian Government Trade Bureau (Commercial Information) 551 Fifth Ave., Suite 201 New York, NY 10176; (212) 916-3200

5. Brazil-Southern California Trade Association World Trade Center, #226 350 South Aqueroa Los Angeles, CA 90071; (213) 627-0634

6. Export-Import Bank of the United States, Annual Report 811 Vermont Avenue, N.W. Washington, DC 20571; (202) 566-2117

Footnotes

1 The Banco do Brasil has offices in the United States in New York, Miami, and Washington. Their addresses and telephone numbers are: New York -- 550 Fifth Avenue, New York, N.Y. 10036, tel:(212) 730-6700; Miami -- 1 Biscayne Tower, 38th floor, Suite 3870, 2 South Biscayne Blvd., P.O. Box 010231, Biscayne, FL 33131, tel: (305) 358-3586; Washington, D.C. -- 2020 K St., N.W., Washington, D.C. 20006, tel: (202) 857-0320.

2 Requests for classification should be addressed either to the Superintendent of Internal Revenue (Superintendente da Receita Federal) in the State where the importer is located or directly to the central office in Brasilia. The central office, Secretaria da Receita Federal, is located at the Ministeria da Fazenda, Esplanada dos Ministerios, Brasilia, D.F., Brasil.

3 Decree Law Number 87.981 includes a list of products on which the tax is levied. Individual rates are listed by tariff classification numbers, along with the import duties in the Manual de Atualizacao da Tarifa Aduaneira do Brasil (see Bibliography).

4 Customs warehousing for goods entering Brazil is available only for goods listed in the Ministerio da Fazenda Portaria No. 396 published in the Diario Official, Nov. 5, 1976.

5 Shipments of books, maps, newspapers, magazines, and other educational materials, and other goods cited in the Annex, are exempt from the import license requirement. Shippers should insert the following clause in the commercial invoice. "No Import License required in accordance with Decree Law Number 42,820." Bulk shipments of commercial promotional material are not exempt; contact US&FCS, Brazil for details.

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